DAUFUSKIE ISLAND UTILITY COMPANY, INC.

DOCKET NO. 2014-346-WS

Testimony of John F. Guastella

On

SECOND REHEARING

Before the South Carolina Public Service Commission

Second Rehearing Testimony Prepared: June 16, 2020

Rehearing Date: September 3, 2020

Q. Please state your name and business address.

A. John F. Guastella, 725 N. Highway A1A, Suite B103, Jupiter, Florida 33477.

Q. Did you submit direct and rebuttal testimony in the primary case?

A. Yes, I provided direct testimony, rebuttal testimony, and exhibits in the primary case. I also testified before the Commission at the hearing held on October 28, 2015.

Q. Did you submit direct and rebuttal testimony in the first rehearing following appeal of the Commission's Order 2015-846.

A. Yes, I provided direct testimony, rebuttal testimony, and exhibits in the first rehearing. I also testified before the Commission at the rehearing held on December 6 and 7, 2017.

Q. Do you adopt all of your testimony and the exhibits in their entirety in the primary case and the first rehearing as if repeated and submitted herewith?

A. Yes.

Q. Have you ever been qualified to testify as an expert witness?

A. As explained in my previous testimony, I have testified as an expert in over 250 cases in 25 states. My testimony, as a consultant and also a utility regulator, has involved all components of establishing revenue requirements, rates and rate design, included rate setting methodologies and mechanisms discussed in this testimony. I have also addressed and administered the use of refunds and reparations, and I am knowledgeable about the concept of retroactive rate setting.

I have been qualified as an expert and testified as an expert witness before regulatory agencies and municipal jurisdictions in the states of Alaska, California, Connecticut, Delaware, Florida, Georgia, Illinois, Indiana, Maryland, Massachusetts, Missouri, Montana, Nevada, New Hampshire, New Mexico, New Jersey, New York, North Dakota, Ohio, Pennsylvania, Rhode Island, South Carolina, Texas and Virginia.

Q. Would you summarize your work history prior to becoming a consultant?

A. Yes. Prior to entering the private sector I was employed by the New York State Public Service Commission for sixteen years. For two of those years I was involved in the regulation of electric and gas utilities, with the remaining years devoted to the regulation of water utilities. I was first promoted to Chief of Rates and Finance in the Commission's Water Division and then named Assistant Director of the Water Division. Ultimately, I was named Director of the New York State Public Service Commission Water Division.

Q. What other ways do you use your expertise as a consultant?

A. I have provided consulting services that include all aspects of utility regulation and rate setting, encompassing revenue requirements, revenues, operation and maintenance expenses, depreciation, taxes, return on investment, cost allocation and rate design. I have performed depreciation studies and appraised utility companies for management purposes and in connection with condemnation proceedings. I have also negotiated the sale of utility companies.

Q. Have you reviewed the two opinions issued by the Supreme Court in this matter found at *DIUC v. S.C. Office of Reg. Staff*, 420 S.C. 305, 803 S.E.2d 280 (2017) (hereinafter "*DIUC I*") and *DIUC v. S.C. Office Reg. Staff*, 427 S.C. 458, 832 S.E.2d 572 (2019), reh'g denied (Sept. 27, 2019) (hereinafter "*DIUC II*").

A. Yes.

Q. Can you provide a summary of the previous Commission and Supreme Court rulings in this matter?

A. Yes. DIUC's original application requested rate adjustments that would render a 108.9% increase in revenue over the revenue generated by the existing rates authorized pursuant to DIUC's last rate adjustment from a 2012 application. *See*

Rehearing Transcript at 80 and Notice of Filing at 1. The additional revenue requested by DIUC was $1,182,301, which would increase DIUC's total adjusted revenue to $2,267,722.

This Commission's first Order permitted a 43% increase in DIUC's rates. *See* Order No. 2015-846, Order Approving Settlement (December 8, 2015). DIUC appealed Order 2015-846 and the Supreme Court reversed and remanded the matter "to the Commission for a de novo hearing." *DIUC I*, 420 S.C. at 320, 803 S.E.2d at 288. At rehearing in December 2017, DIUC provided testimony that the "current economic realities following remand" had changed and that DIUC actually required a 125.7% increase to properly operate, as opposed to the 108.9% in the pending application. *See* Rehearing Transcript at 79. However, to keep the final adjusted revenues and the corresponding underlying rates within the application's original 108.9% revenue increase that was noticed to the customers in accordance with the 2014 historical test year data, DIUC proposed to leave outstanding a portion of its rate case expenses beyond those that could be included within a 108.9% increase. *See* DIUC's Supplemental Brief Regarding Second Remand at 15.

After conducting rehearing, the Commission entered its rate Directive on December 20, 2017, and its full Order on Rehearing (Order No. 2018-68, January 31, 2018). The Directive and Order on Rehearing permitted DIUC an 88.5% overall rate increase that was designed to produce combined annual revenues of $2,023,759, comprised of water revenues of $1,020,831 and wastewater revenues of $1,002,928. DIUC appealed Order 2018-68 and the Supreme Court again reversed the Commission. *See generally DIUC II*, 427 S.C. 458, 832 S.E.2d 572 (2019).

Q. What is your understanding of the Supreme Court's instructions in Order No. 27905 also cited as *DIUC II*, 427 S.C. 458, 832 S.E.2d 572 (2019)?

A. The Supreme Court reversed the Commission's decision and remanded this matter for a third hearing, this "second rehearing." The Court's concluding directive states:

> DIUC's rate application will now go before the commission for a third hearing. In our initial reversal and remand, we explained certain points of law applicable to the merits of DIUC's claims. *Daufuskie Island Util. Co.*, 420 S.C. at 316-20, 803 S.E.2d at 286-88. In this reversal and remand, we do not address the merits at all. In reversing the commission twice, we do not intend to make any suggestion of our views of the merits. Rather, we simply require the commission and ORS evaluate the evidence and carry out their important responsibilities consistently, within the "objective and measurable framework" the law provides.

DIUC II, 427 S.C. at 464, 832 S.E.2d 572 at 575.

Q. What does DIUC seek in this second rehearing?

A. DIUC requests that on this second remand the Commission approve an additional 12.055% increase over the $2,023,759 revenues allowed with the 88.5% increase from Order 2018-68. The proposed 12.055% increase, added to the previously approved and implemented 88.5% increase from Order 2018-68, would produce combined annual revenues of $2,267,722, or $1,143,892 for water and $1,123,830 for wastewater.

Q. When would those new rates become effective?

A. DIUC requests these new rates become effective on July 1, 2020, and be billed with DIUC's October 1, 2020, billing for service provided in the third quarter of 2020.

Q. Has DIUC previously summarized its requests for the parties?

A. Yes. On April 14, 2020, DIUC filed a Motion for Disposition of Proceedings and Entry of Proposed Order on Second Remand. Attached to the Motion was DIUC's Proposed Order on Second Remand and Exhibits.

Q. Do you wish to incorporate that Motion, Proposed Order, and Exhibits into your testimony as if restated herein?

A. Yes. I incorporate the Motion, Proposed Order, and Exhibits in their entirety as if herein restated. I have also included a copy of those filings as **Exhibit JFG-RR1** to this testimony. DIUC seeks the same relief as set forth in the Motion and Proposed Order, except where certain calculations have been updated by this testimony.

Q. What adjustments does DIUC propose the Commission address and what

other issues remain for the Commission's consideration in this second rehearing?

A. First, in the rates outlined above, the Commission would reverse its previous adoption of the ORS position regarding adjustments to rate case expenses and utility plant in service.

Second, DIUC requests that the Commission to recover via surcharge the amounts DIUC should have been permitted to recover during the pendency of the previous insufficient rates of Orders 2015-846 and 2018-68.

Third, DIUC asks that the Commission permit DIUC to recover via surcharge the refund/credit made to the customers, for the difference, plus interest, between the 108.9% filed increase billed to the customers pending the ultimate rates established in this case and the 88.5% increase allowed by the Commission effective for service provided in the last quarter of 2017 and billed on January 1, 2018.

Q. Can you briefly summarize DIUC's position with regard to rate case expenses?

A. After the initial hearing in this matter, the Commission relied upon "ORS's judgment that $75,000 in rate case expenses [was] a reasonable amount" to compensate for GA's [Guastella Associates'] preparation of the Application, developing rate models, calculating test year data, filing other rate case documents and legal expenses." Order 2015-846 at 25 (December 8, 2015). In the hearing on remand DIUC presented additional evidence in support of its request for rate case expenses demonstrating that DIUC's rate case expenses had substantially increased. This additional evidence supplemented the application and original hearing testimony of its witnesses. *See* Guastella Rehearing Testimony at 7 ("I submit herewith additional evidence related to DIUC's rate case expenses because this evidence adequately reflects the current economic realities facing DIUC. DIUC proposes the Commission incorporate that evidence into its forthcoming order."). My Rehearing Testimony began by summarizing DIUC's rate case expense evidence, what transpired in the original proceeding, and then what happened as the first appeal and remand process continued up to the rehearing:

> Rate case expenses are a necessary cost of operating any utility, but it is essential to note that the cost of a rate case has significant financial impact on a small utility like DIUC. As I testified in the primary case, the rate case procedures and discovery required of DIUC in this matter were equal to those for a large utility. The parties participated in exhaustive discovery prior to the hearing. DIUC was required to respond to in excess of 150 discovery requests (exclusive of multiple subparts), review the direct testimonies of nine witnesses, prepare rebuttal testimony and surrebuttal testimony, and prepare for the hearing on the Application. A larger utility with larger revenue and more staffing would be better equipped to absorb the high costs of extensive discovery and other proceedings, but DIUC cannot. As with the other adjustments, DIUC relies upon and incorporates its previous filings and testimony. At the time of the hearing I estimated that the actual rate case expenses to date were about $380,000. However,

> DIUC's Application included only $191,200 in an effort to mitigate the impact on ratepayers. ORS responded by proposing an even further adjustment that allowed only $97,500 for rate case expenses. As shown in detail through DIUC's evidence, particularly my unrefuted rebuttal testimony, the rate case expenses incurred were actual, unavoidable, and reasonable in the circumstances.
>
> * * *
>
> DIUC's appeal of Order 2015-846 added another layer of significant rate case expense, which continues to grow as the current rehearing process proceeds. In order to survive, DIUC had to put appropriate rates in effect pending appeal. This required DIUC to obtain bonds, which first had to be presented to and approved by the Commission. The bonds later had to be renewed and an additional bond obtained. These efforts cost the Utility significant and unavoidable legal and consulting charges in addition to the cost of bonds. At this point, the cost of actual rate case expenses as of September 30, 2017, including projections to complete the rehearing process for legal and consulting services totals $794,201.17, plus the $60,781.56 DIUC incurred for the bonds and an associated letter of credit.

Guastella, Rehearing Transcript at 70-71 and 76.

In response to DIUC's rehearing testimony and evidence of increasing costs, ORS changed its previously proposed adjustment approving rate case expenses of $75,000 (which included compensation for work by GA) and asked the

Commission to disallow all GA rate case expenses, including the amount both it and the Commission previously approved. *See* Order on Rehearing, Order 2018-68 at 37-38. In its Order on Rehearing, the Commission deferred to ORS's recommendation and did not allow DIUC to recover any portion of the $542,978 in GA charges DIUC submitted on rehearing. *Id.* at 38-39.

On appeal the Supreme Court considered the Order on Rehearing's ruling on the GA rate case expenses and the Commission's rejection of the invoices based on ORS's recommendation. The Court found:

> Additionally, in contrast to the commission's assessment of the invoices in its order after the initial hearing, the commission heavily scrutinized the format of the Guastella invoices on remand. The commission's order on remand provides, "The Commission agrees with ORS.... The evidence shows that a large sum of what DIUC seeks was based on invoices that could not be verified." The commission's order denying DIUC's motion for reconsideration also provides, "ORS ... completed a thorough review of all invoices from Guastella Associates, and found that they 'contained mathematical errors, lacked sufficient detail, and/or did not appear to be paid.' " However, the commission expressed these concerns with the invoices only in its evaluation on remand. The commission's harsher treatment of the same invoices on remand—of which rate case expenses were previously awarded—convinces us the commission itself employed a retaliatory standard of scrutiny.

DIUC II, 427 S.E.2d at 574, 832 S.C. at 462-3.

It is my opinion that the record includes substantial evidence that the GA invoices do, in fact, document rate case expenses in at least the amount DIUC requests the Commission approve at this time. The Commission itself has observed GA employees testifying at hearings and has heard evidence of GA's efforts to assist DIUC in proceeding through two complete hearings and appeals in this case. Based on the ample evidence in the record, the Commission should find and conclude that DIUC has incurred and should be allowed to include rate case expenses of $269,356 for GA fees incurred through September 30, 2017. That leaves outstanding about one-half of the $542,978 of GA fees invoiced through September 30, 2017, or $273,622. DIUC would be permitted to apply for recognition of these expenses and its post-September 30, 2017, rate case expenses in its next rate case.

Q. Can you briefly summarize DIUC's position with regard to utility plant in service?

A. Yes. DIUC's application included $8,139,260 of used and useful facilities included in Utility Plant in Service. Commission Orders 2015-846 and 2018-68 both reduced that amount by $699,361, relying on ORS's assertion that there were no facts to support a value of $699,361 for this excluded plant and that ORS had properly identified the items of plant it proposed to be excluded.

S.C. Code of Laws, Regulation 103-702.16, entitled "Water Plant," defines the plant in service for a water utility like DIUC to include "all facilities owned by the utility for the collection, production, purification, storage, transmission, metering, and distribution of potable water." Despite this definition, the Commission's Order on Rehearing did not allow DIUC to include all of the items that comprise DIUC's water plant facilities that are used and useful to the utility.

Relying on my review of the record and DIUC's Supplemental Brief Regarding Second Remand (April 1, 2020), it is my opinion that the Commission should find that ORS's Rehearing Exhibit 8, upon which the Commission previously relied, only lists primary plant accounts; it does not identify items of plant. Therefore, the ORS proposed adjustments designated only by plant account cannot be identified by or matched with specific items of plant, the specific costs of the items of plant purportedly being adjusted are not provided, and there is no information about ORS's reasons for the adjustments.

Furthermore, there is no other evidence identifying the precise items of plant ORS seeks to exclude. ORS witness Gearheart testified at the first hearing that, "Those [$699,361] adjustments were simply carried over from the last rate case, and we do not retest or retry anything that was approved in the last rate case." Hearing Transcript at 526. At rehearing ORS witness Daniel Sullivan explained that after he corrected ORS's previous exclusion of the Elevated Tank Site and related facilities, "ORS [again carried forward the Gearheart reduction and that ORS] now computes an adjustment to gross plant in service of ($699,361) which is shown on Rehearing Audit Exhibit DFS-5." Rehearing Transcript at 451. Like Ms. Gearheart in the first hearing, Mr. Sullivan at the rehearing did not provide any evidence of facts that would support ORS's proposed reduction of plant by

$699,361, nor did his testimony identify the specific items of plant included in ORS's proposed $699,361 exclusion.

A review of the record shows that in its application DIUC presented unrebutted proof of the cost of the known plant items consistent with the NARUC Uniform System of Accounts ("NARUC USoA") rule for estimating the cost of utility plant in the absence of the original documentation. That is substantial evidence of their cost and was sufficient, if not conclusive, documentation of their value in the absence of any contrary proof of their value from ORS.

With respect to documentation (in response to Ms. Gearheart's claim that some costs were "undocumented" and should be excluded from plant), Mr. Guastella testified:

> We gave ORS information that shows, by primary plant account, line items of costs of plant, about 200 lines of line items of specific plant, the cost of the 200 line items of plant, the year the plant was placed into service, and the date that the plant was in service. So, we provided documentation from our books and records as to the cost of plant and identification of the plant. The issue is that there were invoices that we could not produce to ORS in their examination. A large part of those invoices have to do with Melrose Utility Company. Melrose went bankrupt. It abandoned its systems. It had no records. It stopped operating. We stepped in and began operating Melrose – that's in my Report on Capital Improvements – without additional compensation, simply because I was not going to let, even

> though they were not our customers, I wasn't going to let customers on the island go without water and sewer service because of Melrose abandoning the system….

Guastella, Hearing Transcript at 151.

> In fact, itemized costs at specific amounts, by primary plant account and the year in service, are recorded on the DIUC's books, which certainly constitute "documentation". The ORS does not claim that the assets in question do not exist and are not used and useful, nor does it question the reasonableness of the amounts that it clearly observed from DIUC's records. Some missing invoices for a relative small portion of plant, particularly for the Melrose Utility Company that essentially abandoned its system, does not constitute an absence of evidence of the reasonableness of the utility plant costs for assets that are providing service. Even the Intervenors' expert, Mr. Loy, understands such circumstances.

Guastella, Hearing Transcript at 203 to 204.

I also previously explained the proper and NARUC-endorsed role of estimating costs and using estimation studies.

> Although [the POAs' expert] applies that statement to his opinion with respect to an issue he raised with which I disagree and will discuss later, he is correct that the cost of plant is not properly disallowed because of a lack of documentation, but instead it is proper and consistent with the NARUC USoA to use estimates. In

> this case, however, it is not necessary to estimate the costs because the costs are known and recorded, and the assets are used and useful in providing service to our customers.

Guastella, Hearing Transcript at 204.

The record supports a conclusion that ORS's proposed downward adjustment of plant by $699,361 is not supported by the evidence in the record and that DIUC's inclusion of the $699,361 in the total of plant in service is fully supported. As such, the Commission should find and conclude that the disputed $699,361 shall be included in DIUC's Utility Plant In Service for purposes of determining the adjustment to the rates now before the Commission.

I would add that this result is particularly appropriate here, where DIUC stepped in and took over operation of the Melrose Utility Company's water and wastewater systems on Daufuskie Island when the Melrose Utility abruptly abandoned the plant and other facilities.

Q. Can you summarize how DIUC implemented the rates allowed by Order 2015-846 and Order 2018-68?

A. Yes. On June 13, 2016, DIUC filed its appeal of the 43% rate increase approved by the Commission on December 8, 2015 in Order No. 2015-846. Under S.C. Code § 58-5-240(D), DIUC placed its proposed 108.9% rate increase into effect for the second quarter of 2016 (April 1, 2016 through June 30 2016), to be billed on July 1, 2016, subject to refund if the final rates would be less, plus annual interest of 12% on the difference billed to each customer. On December 20, 2017, the

Commission's Directive on Rehearing approved an 88.5% rate increase, allowing that increase to become effective for the fourth quarter of 2017 (for service rendered from October 1 through December 31, 2017) and to be billed with DIUC's January 1, 2018, billing. Because the allowed rate increase was less than the 108.9% revenue increase in effect subject to refund, DIUC was required to refund/credit each customer with its January 1, 2018, billing for the difference between 108.9% that had been paid from July 1, 2016, to September 30, 2017, plus annual interest at 12%.

Q. Are there rate setting mechanisms DIUC asks the Commission to apply to address the shortfalls created by Orders 2015-846 and 2018-68?

A. Yes. The unique circumstances of this very lengthy case require reconciliation of rates and charges to address the timing of the various orders within the proceeding. After two successful appeals and nearly five years, the rates the Commission approves on this second remand should reflect the need for the proper rates that would have generated sufficient revenues to cover operating expenses and a reasonable return on investment as far back as DIUC's January 1, 2018, billing for service provided in the last quarter of 2017, consistent with the Commission's December 20, 2017, Directive when it approved the 88.5% rate increase. Approving this restitution through surcharge is not retroactive ratemaking but is, instead, the mechanism with which to properly restore the utility to the financial position it would have achieved had the existing rates been billed instead of the January 1, 2018, 88.5% increase. These calculations are outlined in **Exhibit JFG-RR2**, Schedule for Second Rehearing.

The length of this case and the costs DIUC has had to expend to pursue two appeals cannot be wholly addressed by merely revising the revenue requirement to include in DIUC's Utility Plant In Service the $699,361 previously excluded and by including the previously excluded Rate Case Expense of $269,356. Unfortunately, the reality is that DIUC has also been damaged and placed in an inferior position because of the extensive delays in obtaining a final, proper rate ruling from this Commission. Therefore, DIUC is entitled to recoup the lost revenues that it should have been able to charge. These calculations are outlined in **Exhibit JFG-RR2**, Schedule for Second Rehearing, **Exhibit JFG-RR3**, Schedule for Remediation/Reparation, and **Exhibit JFG-RR4**, Revenue Shortfall.

DIUC also has a constitutional right to collect rates that meet minimum standards of a reasonable return on investment. Complying with this constitutional requirement is mandatory and the reasoning is sound – when a utility invests in equipment and real property for use in providing service, the utility is allowed to charge rates sufficient to allow it to operate and maintain that plant in service. The more equipment and facilities that are part of plant in service, the higher the allowable rate. The utility's right to earn this rate cannot be said to just disappear during a five-year long proceeding wherein the utility has twice been successful on appeal of the pending rate order of this Commission.

Q. Have you attempted to calculate the impact of the delayed implementation of proper rates upon DIUC?

A. Yes. In addition to the surcharges requested above for the reversal of the refund/credits and the correction of the January 1, 2018, 88.5% rate increase, over the last five years DIUC's utility plant investment has increased and also its operating expenses beyond the amounts reflected in the original filing of the 108.9% increase. **Exhibit JFG-RR5**, Return Deficiency Calculation, contains a schedule of DIUC's operations from 2015 through 2019, showing a combined under earning of $1,117,539. The figures in this schedule are taken from DIUC's annual report and the shortfall is based on the allowed 7.46% overall rate of return allowed in this case. Assuming that as a result of this hearing, the Commission approves DIUC's request, DIUC will recoup about $960,000 of that estimated shortfall, leaving a shortfall of about $160,000. However, the soonest DIUC will be able to apply for another rate increase is in 2021, on the basis of an adjusted 2020 test year. Also, assuming a six-month proceeding, the next rate increase would not become effective until 2022, resulting in ongoing shortfalls for 2020 and 2021 up to the effective date of new rates in 2022.

Q. Do you have an opinion as to whether DIUC has been permitted to implement constitutionally sufficient rates?

A. Yes. In my opinion , DIUC's insufficient rates since Order 2015-846's increase of only 43% increase which was mitigated but not corrected by Order 2018-68's 88.5% increase have not provided DIUC its constitutionally guaranteed just compensation for its property used and its operating expenses, given the duration of this rate proceeding. The reasoning is sound. Utility customers are best served when the Commission adheres to its legislative responsibility to set utility rates that reflect the cost of providing adequate service, including the capital costs that enable utilities to maintain financial viability and attract capital.

Q. How should the Commission fashion an order to address the shortfalls of the previous rate orders?

A. The proper mechanism with which to correct for the full impact of the January 1, 2018, rates is to calculate the amounts DIUC should now charge its customers on the basis that the ultimate rates had been in effect instead. Specifically, DIUC should charge each customer for the difference between the charges made and the charges that would have been made under the ultimate rates, as well as the refund/credits made by DIUC to each customer at the January 1, 2018, billing. In addition to correcting for the lost equity earnings resulting from the billing and refund/credits, DIUC should add the lost use of money or earnings opportunity by applying the allowed equity rate to the differences now owed by the customers.

Consistent with the Commission's legislatively established regulatory responsibility to set rates that cover DIUC's cost of providing service within the context of this unique rate proceeding, it is necessary to address the adverse impact on DIUC's earnings that resulted from the inadequate rates approved incrementally by Orders 2015-846 and 2018-68.

The correction of the rates should be made on the basis that the 108.9% rate increase should have been in effect for service provided from October 1, 2017, through June 30, 2020, instead of the 88.5% rate increase. Accordingly, rates should be designed to achieve $2,267,722, which is the originally requested revenue requirement, or a 12.055% increase over the $2,023,759 revenue requirement allowed in Commission's December 20, 2017, Directive, to be billed by DIUC with its October 1, 2020 billing for service provided for the third quarter of 2020 (July 1, 2020 through September 30, 2020).

To compensate for DIUC's lost earnings and carrying costs, a one-time surcharge totaling $663,497 should be included with the October 1, 2020, billing. **Exhibit JFG-RR3** and **Exhibit JFG-RR4** show this calculation. DIUC's Proposed Order on Second Remand filed on April 14, 2020, included a tariff schedule of rates along with a billing analysis reflecting proposed rates that generate the $2,267,722 revenue requirement. Copies are also attached hereto as **Exhibit JFG-RR6**, Proposed Rates' Revenue Impact Analysis, and **Exhibit JFG-RR7**, Statement of Proposed Rates (Tariff Schedule).

However, the calculated surcharge as of that date was $593,339, based upon an assumption the new rates would be billed on July 1, 2020. DIUC has now updated the analysis to include a surcharge of $663,497, assuming that the Commission decides this case before DIUC's October 1, 2020, billing, and its decision is not appealed. **Exhibit JFG-RR3** and **Exhibit JFG-RR4** show this calculation.

With respect to the reversal of the refund/credit made to the customers on January 1, 2018, DIUC now recommends that in order to mitigate the impact on the customers, a separate surcharge be billed to the customers as soon as possible prior to the October 1, 2020 billing. As another update to DIUC's Proposed Order on Second Remand, DIUC requests a $297,049 surcharge, calculated by applying to the refund/credit of $232,542, the 9.31% allowed equity rate compounded for two and a half years (2-3/4) from January 1, 2018 through June 30, 2020, or 27.74%, which includes interest. **Exhibit JFG-RR3** and **Exhibit JFG-RR4** show this calculation.

The surcharge with respect to correction of the 88.5% rate increase should be made to each customer according to their respective billings, and only customers who had received refunds/credits with the January 1, 2018, billing will be billed the surcharge to reverse those credits.

Q. Does DIUC seek any further relief from the Commission in this second rehearing?

A. Yes. Pursuant to Order of the Supreme Court dated January 17, 2020, appeal costs in the amount of $13,807.25 were awarded to be shared equally between ORS, Haig Point Club and Community Association, Inc., Melrose Property Owner's Association, Inc. and Bloody Point Property Owner's Association.

Q. Have any of the parties submitted any portion of the $13,807.45 in costs awarded?

A. No. DIUC would appreciate it very much if the Commission would order those costs paid in compliance with the Order of the Supreme Court.

Q. Does this conclude your testimony?

A. Yes.

DAUFUSKIE ISLAND UTILITY COMPANY, INC.

DOCKET NO. 2014-346-W/S

Testimony of John F. Guastella

On

SECOND REHEARING

Before the South Carolina Public Service Commission

Second Rehearing Testimony Prepared: June 16, 2020

Rehearing Date: September 3, 2020

INDEX TO TESTIMONY EXHIBITS

EXHIBIT JFG-RR1

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2014-346-WS

IN RE:)) Application of Daufuskie Island Utility) Company, Inc. for Approval of an) Adjustment for Water and Sewer Rates,) Terms and Conditions.) ________________________________)	**DIUC MOTION FOR DISPOSITION OF PROCEEDINGS AND ENTRY OF PROPOSED ORDER ON SECOND REMAND**

NOW COMES Daufuskie Island Utility Company, Inc. ("DIUC"), the Applicant, to move this Commission, pursuant to S.C. Code Regs. § 103-817(D) and § 103-851, for entry of DIUC's Proposed Order on Second Remand, a copy of which is attached hereto and incorporated herein as if fully restated in support of this Motion. In further support of the requested relief, DIUC relies upon the record in this matter, including all filings to date.

As more fully discussed in DIUC's Proposed Order on Second Remand, the Applicant seeks relief as follows:

1. DIUC has incurred and should be allowed to include Rate Case Expenses of $269,356 for Guastella Associates ("GA") fees incurred through September 30, 2017. Permitting recovery of this portion of documented rate case expenses will, combined with the other adjustments including Plant In Service as discussed herein, increase total annual revenues up to $2,267,722, but not beyond, the noticed 108.9% increase set forth in the application that initiated this proceeding. Such an order would leave outstanding about one-half of the $542,978 of GA fees invoiced through September 30, 2017, or $273,622, and should allow DIUC to apply for recognition of these remaining expenses and its post-September 30, 2017, rate case expenses in its next rate case.

2. DIUC's application included $8,139,260 for used and useful facilities included in Utility Plant in Service. Commission Orders 2015-846 and 2018-68 both erroneously accepted a reduction of that amount by $699,361, as proposed by the S.C. Office of Regulatory Staff ("ORS"). However, ORS did not claim that the assets in question do not exist or that the assets are not used and useful; it

was a "carry-over" note from a previous ORS employee. DIUC presented evidence documenting all items of plant included with costs booked at specific amounts by primary plant account and the year in service. These records, supplemented by DIUC witness testimony and supported by the events related to defunct Melrose Utility, constitute substantial evidence that the disputed $699,361 should be included in DIUC's Rate Base/Utility Plant In Service.

3. DIUC has a constitutional right to collect rates that meet the minimum requirement of yielding "a reasonable return on the value of the property used at the time it is being used to render the service." *Bluefield Waterworks & Improvement Co. v. Public Service Comm'n of W. Va*., 262 U.S. 679, 690, 43 S. Ct. 675 (1923). Rates are confiscatory if they do not address the cost of property of the utility and all sums required to meet operating expenses. *Bluefield Waterworks*, 262 U.S. at 691, 43 S. Ct. at 678. DIUC's rates have been incrementally increased during this five-year proceeding, but have not yet reached this constitutional minimum. If rates are corrected as set forth in the Proposed Order then final rates will be established that reflect DIUC's true cost of providing service. The Commission should order:

   a. The correction of the insufficient rates allowed by Orders 2015-846 and 2018-68 should be made on the basis that the 108.9% rate increase should have been in effect for service provided from October 1, 2017, through March 31, 2020, instead of the 88.5% rate increase.

      i. New/final rates should be designed to achieve the $2,267,722 originally requested revenue requirement, or a 12.055% increase over the $2,023,759 revenue requirement allowed in Order 2018-68, to be billed by DIUC with its July 1, 2020, billing for service provided for the second quarter of 2020 (April 1, 2020 through June 30, 2020).

      ii. To compensate for the lost earnings, a one-time surcharge in the amount of $593,339 which includes carrying costs, should be included with the July 1, 2020, billing.

      iii. DIUC's Proposed Order on Second Remand includes a Tariff Schedule ("Statement of Proposed Rates") and Billing Analysis reflecting proposed rates that generate the $2,267,722 revenue requirement as well as a Support Schedule showing DIUC's calculation of the $593,339 surcharge to be billed with its July 1, 2020, billing.

b. With respect to the reversal of the refund/credit made to the customers on January 1, 2018, DIUC recommends that in order to mitigate the impact on the customers, a separate surcharge be billed to the customers as soon as possible prior to the July 1, 2020 billing.

i. Only customers who received refunds/credits with the January 1, 2018, billing will be billed the surcharge to reverse those credits for correction of the refunds/credits provided in the January 1, 2018, billing to address the difference between the 88.5% rate increase and the 108.9% increase charged under bond.

ii. DIUC's Proposed Order on Second Remand includes DIUC's requested $290,515 surcharge, calculated by applying to the refund/credit of $232,542, the 9.31% allowed equity rate compounded for two and a quarter years from January 1, 2018 through March 31, 2020, or 24.93%, which includes interest. DIUC should include an explanation of this surcharge with its billing of it to each customer, and also notify its customers of the July 1, 2020, rates and related surcharge at least 30 days in advance of the billing.

WHEREFORE, DIUC respectfully requests this Commission enter an Order on Second Remand to address these issues that remain outstanding following the Supreme Court's second remittitur of this matter. Specifically, DIUC requests the Commission enter the attached Proposed Order on Second Remand;

FURTHERMORE, pursuant to Order of the Supreme Court dated January 17, 2020, DIUC respectfully requests this Commission enforce the Order's award of costs to DIUC in the amount of $13,807.25 against Respondents South Carolina Office of Regulatory Staff, Haig Point Club and Community Association Inc., Melrose Property Owner's Association, Inc., and Bloody Point Property Owner's Association; and

FOR ANY FURTHER RELIEF this Commission deems appropriate to conclude this matter.

Respectfully submitted,

/s/ Thomas P. Gressette, Jr.
Thomas P. Gressette, Jr.
Direct: (843)-727-2249
Email: Gressette@WGFLLAW.com
G. Trenholm Walker
Direct: (843)-727-2208
Email: Walker@WGFLLAW.com
WALKER GRESSETTE FREEMAN & LINTON, LLC
Mail: PO Box 22167, Charleston, SC 29413
Office: 66 Hasell Street, Charleston, SC 29401
Phone: 843-727-2200

April 14, 2020
Charleston, South Carolina

CERTIFICATE OF SERVICE

This is to certify that on April 14, 2020, I caused to be served upon the counsel of record named below a copy of the foregoing **DIUC MOTION FOR DISPOSITION OF PROCEEDINGS AND ENTRY OF PROPOSED ORDER ON SECOND REMAND** via electronic mail, as indicated. A copy was also electronically filed via the Commission DMS. Said filing includes **DIUC'S PROPOSED ORDER ON SECOND REMAND WITH EXHIBITS**.

Andrew M. Bateman, Esq. (abateman@regstaff.sc.gov)
Jeff Nelson, Esq. (jnelson@regstaff.sc.gov)
John J. Pringle, Jr., Esq. (jack.pringle@arlaw.com)
John F. Beach, Esq. (john.beach@arlaw.com)

EXHIBIT JFG-RR1

BEFORE

THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

DOCKET NO. 2014-346-WS - ORDER NO. 2020-______

APRIL ____, 2020

IN RE:	Application of Daufuskie Island Utility Company, Inc. for Approval of an Increase for Water and Sewer Rates, Terms and Conditions	))))	DIUC'S PROPOSED ORDER ON SECOND REMAND

TABLE OF CONTENTS

INTRODUCTION

This matter is again before the Commission following a second remittitur from the South Carolina Supreme Court issued July 27, 2019. The identity of the parties, the procedural history, the issues resolved to date, and the issues outstanding are all well documented in the record.[1]

On January 21, 2020, the Commission convened a hearing for the parties to present their positions following the second remand. At the hearing DIUC was represented by Thomas P. Gressette, Jr., the POAs were represented by John J. Pringle, Jr., and ORS was represented by Andrew M. Bateman. Following receipt of the hearing transcript, the parties submitted additional memoranda on April 1, 2020. Having considered the entire record, the submissions of the attorneys, and the opinions of the Supreme Court of South Carolina in the two appeals, the Commission is now prepared to resolve the few issues that remain outstanding.[2]

Prior to discussion of the issues, it is prudent to pause and note that this rate application proceeding has been pending since 2015 and the test year for the increase requested is based on historical financials from 2014. The extended duration of this case is unique for a water and sewer utility rate proceeding and, as such, requires the Commission to analyze the remaining questions with the recognition that an efficient, expedient resolution of this matter is long overdue.

[1] The two opinions issued by the Supreme Court in this matter are included in the Commission record. They may also be found at *DIUC v. S.C. Office of Reg. Staff*, 420 S.C. 305, 803 S.E.2d 280 (2017) (hereinafter "*DIUC I*") and *DIUC v. S.C. Office Reg. Staff*, 427 S.C. 458, 832 S.E.2d 572 (2019), *reh'g denied* (Sept. 27, 2019) (hereinafter "*DIUC II*").

[2] To the extent they are not inconsistent with this Order, the Commission's previous findings are incorporated as if herein restated.

PREVIOUS RULINGS IN THIS MATTER AND DIUC'S POSITION ON REMAND

DIUC's application requested rate adjustments that would render a 108.9% increase in revenue over the revenue generated by the existing rates authorized pursuant to DIUC's last rate adjustment from a 2012 application. *See* Rehearing Transcript at 80 and Notice of Filing at 1. The additional revenue requested by DIUC was $1,182,301, which would increase DIUC's total adjusted revenue to $2,267,722.

This Commission's first Order permitted a 43% increase in DIUC's rates. *See* Order No. 2015-846, Order Approving Settlement (December 8, 2015). DIUC appealed Order 2015-846 and the Supreme Court reversed and remanded the matter "to the Commission for a de novo hearing." *DIUC I*, 420 S.C. at 320, 803 S.E.2d at 288. At rehearing in December 2017, DIUC provided testimony that the "current economic realities following remand" had changed and that DIUC actually required a 125.7% increase to properly operate, as opposed to the 108.9% in the pending application.[3] Rehearing Transcript at 79. However, to keep the final adjusted revenues and the corresponding underlying rates within the application's original 108.9% revenue increase that was noticed to the customers in accordance with the 2014 historical test year data, DIUC proposed to leave outstanding a portion of its rate case expenses beyond those that could be included within a 108.9% increase. *See* DIUC's Supplemental Brief Regarding Second Remand at 15.

After conducting rehearing, the Commission entered its rate Directive on December 20, 2017, and its full Order on Rehearing (Order No. 2018-68, January 31, 2018). The Directive and Order on Rehearing permitted DIUC an 88.5% overall rate increase that was designed to produce combined annual revenues of $2,023,759, comprised of water revenues of $1,020,831 and

[3] Another twenty-seven months have passed since the submission of this testimony, presumably further increasing the amount of revenue DIUC actually requires to function and earn a reasonable rate of return.

wastewater revenues of $1,002,928. DIUC appealed Order 2018-68 and the Supreme Court again reversed this Commission. *See generally DIUC II*, 427 S.C. 458, 832 S.E.2d 572 (2019), *reh'g denied* (Sept. 27, 2019). Notably, the Court did not order or suggest this Commission conduct a third de novo hearing.

DIUC has requested on this second remand that the Commission approve an additional 12.055% increase over the $2,023,759 revenues allowed with the 88.5% increase from Order 2018-68. The proposed 12.055% increase, added to the previously approved and implemented 88.5% increase from Order 2018-68, would produce combined annual revenues of $2,267,722, or $1,143,892 for water and $1,123,830 for wastewater. DIUC requests these new rates become effective on April 1, 2020, and be billed with DIUC's July 1, 2020, billing for service provided in the second quarter of 2020. DIUC's position is summarized in *Exhibit A* to DIUC's Supplemental Brief Regarding Second Remand, filed April 1, 2020.[4]

The two adjustments at issue in DIUC's remaining request relate to the Commission's adoption of the ORS position regarding rate case expenses and utility plant in service.[5]

Rate Case Expenses

After the initial hearing in this matter, the Commission relied upon "ORS's judgment that $75,000 in rate case expenses [was] a reasonable amount" to compensate for GA's [Guastella Associates'] preparation of the Application, developing rate models, calculating test year data, filing other rate case documents and legal expenses." Order 2015-846 at 25 (December 8, 2015).

[4] *Exhibit A* has been adjusted on the basis of actual billing data for period from October 1, 2017, through March 31, 2020 that were not available at the time of the Supplemental Brief. The adjusted *Exhibit A* is provided with this Proposed Order.

[5] Further hearings are not required for a determination of these two adjustment and implementation of the rates in this matter. Pursuant to S.C. Code Regs. §103-501(3) and 103-701(3), the unusual posture of this case and the attendant circumstances demonstrate waiver of any further hearing is appropriate and not contrary to the public interest in efficient resolution of the proceeding.

In the hearing on remand DIUC presented additional evidence in support of its request for rate case expenses demonstrating that DIUC's rate case expenses had substantially increased. This additional evidence supplemented the application and original hearing testimony of its witnesses. *See* Guastella Rehearing Testimony at 7 ("I submit herewith additional evidence related to DIUC's rate case expenses because this evidence adequately reflects the current economic realities facing DIUC. DIUC proposes the Commission incorporate that evidence into its forthcoming order.").[6] Mr. Guastella's Rehearing Testimony began by summarizing DIUC's rate case expense evidence, what transpired in the original proceeding, and then what happened as the first appeal and remand process continued up to the rehearing:

> Rate case expenses are a necessary cost of operating any utility, but it is essential to note that the cost of a rate case has significant financial impact on a small utility like DIUC. As I testified in the primary case, the rate case procedures and discovery required of DIUC in this matter were equal to those for a large utility. The parties participated in exhaustive discovery prior to the hearing. DIUC was required to respond to in excess of 150 discovery requests (exclusive of multiple subparts), review the direct testimonies of nine witnesses, prepare rebuttal testimony and surrebuttal testimony, and prepare for the hearing on the Application. A larger utility with larger revenue and more staffing would be better equipped to absorb the high costs of extensive discovery and other proceedings, but DIUC cannot. As with the other adjustments, DIUC relies upon and incorporates its previous filings and testimony. At the time of the hearing I estimated that the actual rate case expenses to date were about $380,000. However, DIUC's Application included only $191,200 in an effort to mitigate the impact on ratepayers. ORS responded by proposing an even further adjustment that allowed only $97,500 for rate case expenses. As shown in detail through DIUC's evidence, particularly my unrefuted rebuttal testimony, the rate case expenses incurred were actual, unavoidable, and reasonable in the circumstances.
>
> * * *
>
> DIUC's appeal of Order 2015-846 added another layer of significant rate case expense, which continues to grow as the current rehearing process proceeds. In order to survive, DIUC had to put appropriate rates in effect pending appeal. This

[6] John F. Guastella is the president of Guastella Associates, DIUC's manager. Mr. Guastella is a nationally recognized expert in rate setting, valuation, and appraisals. He has provided consulting service to utilities around the country with respect to rate setting, valuation and appraisals, and utility management. *See* Affidavit of John F. Guastella, filed with DIUC's Motion to Reconsider Directive 2017-59-H and Directive 2017-60-H (Guastella testifying "In my career I have worked with utilities in some 30 states and have been qualified to testify as an expert in 23 states.").

> required DIUC to obtain bonds, which first had to be presented to and approved by the Commission. The bonds later had to be renewed and an additional bond obtained. These efforts cost the Utility significant and unavoidable legal and consulting charges in addition to the cost of bonds. At this point, the cost of actual rate case expenses as of September 30, 2017, including projections to complete the rehearing process for legal and consulting services totals $794,201.17, plus the $60,781.56 DIUC incurred for the bonds and an associated letter of credit.

Rehearing Transcript at 70-71 and 76.

In response to DIUC's rehearing testimony and evidence of increasing costs, ORS changed its previously proposed adjustment approving rate case expenses of $75,000 (which included compensation for work by GA) and asked the Commission to disallow all GA rate case expenses, including the amount both it and the Commission previously approved. *See* Order on Rehearing, Order 2018-68 at 37-38. In its Order on Rehearing, the Commission deferred to ORS's recommendation and did not allow DIUC to recover any portion of the $542,978 in GA charges DIUC submitted on rehearing. *Id.* at 38-39.

On appeal the Supreme Court considered the Order on Rehearing's ruling on the GA rate case expenses and the Commission's rejection of the invoices based on ORS's recommendation. The Court found:

> Additionally, in contrast to the commission's assessment of the invoices in its order after the initial hearing, the commission heavily scrutinized the format of the Guastella invoices on remand. The commission's order on remand provides, "The Commission agrees with ORS.... The evidence shows that a large sum of what DIUC seeks was based on invoices that could not be verified." The commission's order denying DIUC's motion for reconsideration also provides, "ORS ... completed a thorough review of all invoices from Guastella Associates, and found that they 'contained mathematical errors, lacked sufficient detail, and/or did not appear to be paid.' " However, the commission expressed these concerns with the invoices only in its evaluation on remand. The commission's harsher treatment of the *same* invoices on remand—of which rate case expenses were previously awarded—convinces us the commission itself employed a retaliatory standard of scrutiny.

DIUC II, 427 S.E.2d at 574, 832 S.C. at 462-3.

The Commission wishes to be clear that it did not intend to employ a retaliatory standard in this matter. However, having reviewed the record and considered the impressions of the Supreme Court, the Commission finds that the record includes substantial evidence that the GA invoices do, in fact, document rate case expenses in at least the amount DIUC requests the Commission approve at this time. The Commission itself has observed GA employees testifying at hearings and has heard evidence of GA's efforts to assist DIUC in proceeding through two complete hearings and appeals in this case. Based on the ample evidence in the record, the Commission finds and concludes that DIUC has incurred and should be allowed to include rate case expenses of $269,356 for GA fees incurred through September 30, 2017.[7] That leaves outstanding about one-half of the $542,978 of GA fees invoiced through September 30, 2017, or $273,622. DIUC may apply for recognition of these expenses and its post-September 30, 2017, rate case expenses in its next rate case.

Utility Plant In Service

DIUC's application included $8,139,260 of used and useful facilities included in Utility Plant in Service. Commission Orders 2015-846 and 2018-68 both reduced that amount by $699,631, relying on ORS's assertion that there were no facts to support a value of $699,631 for this excluded plant and that ORS had properly identified the items of plant it proposed to be excluded.

S.C. Code of Laws, Regulation 103-702.16, entitled "Water Plant," defines the plant in service for a water utility like DIUC to include "all facilities owned by the utility for the collection, production, purification, storage, transmission, metering, and distribution of potable water."

[7] In so ordering, the Commission agrees with DIUC's request that DIUC should recover in this case only that portion of its rate case expenses that will, combined with the other adjustments including plant in service as discussed herein, increase total annual revenues up to, but not beyond, the noticed 108.9% increase.

Despite this definition, the Commission's Order on Rehearing did not allow DIUC to include all of the items that comprise DIUC's water plant facilities that are used and useful to the utility.

Having reviewed the record and DIUC's Supplemental Brief Regarding Second Remand (April 1, 2020), the Commission finds that ORS's Rehearing Exhibit 8, upon which the Commission relied, only lists primary plant *accounts*; it does not identify *items of plant*. Therefore, the ORS proposed adjustments designated only by *plant account* cannot be identified by or matched with specific *items of plant*, the specific *costs of the items of plant* purportedly being adjusted are not provided, and there is no information about ORS's reasons for the adjustments.

Furthermore, the Commission has had an opportunity to reexamine the complete record, and finds no evidence identifying the precise items of plant ORS seeks to exclude. ORS witness Gearheart testified at the first hearing that, "Those [$699,361] adjustments were simply carried over from the last rate case, and we do not retest or retry anything that was approved in the last rate case." Hearing Transcript at 526. At rehearing ORS witness Daniel Sullivan explained that after he corrected ORS's previous exclusion of the Elevated Tank Site and related facilities, "ORS [again carried forward the Gearheart reduction and that ORS] now computes an adjustment to gross plant in service of ($699,361) which is shown on Rehearing Audit Exhibit DFS-5." Rehearing Transcript at 451. Like Ms. Gearheart in the first hearing, Mr. Sullivan at the rehearing did not provide any evidence of facts that would support ORS's proposed reduction of plant by $699,361, nor did his testimony identify the specific items of plant included in ORS's proposed $699,361 exclusion.

A review of the record shows that in its application DIUC presented unrebutted proof of the cost of the known plant items consistent with the NARUC Uniform System of Accounts

("NARUC USoA") rule for estimating the cost of utility plant in the absence of the original documentation. That is substantial evidence of their cost and was sufficient, if not conclusive, documentation of their value in the absence of any contrary proof of their value from ORS.

With respect to documentation (in response to Ms. Gearheart's claim that some costs were "undocumented" and should be excluded from plant), Mr. Guastella testified:

> We gave ORS information that shows, by primary plant account, line items of costs of plant, about 200 lines of line items of specific plant, the cost of the 200 line items of plant, the year the plant was placed into service, and the date that the plant was in service. So we provided documentation from our books and records as to the cost of plant and identification of the plant. The issue is that there were invoices that we could not produce to ORS in their examination. A large part of those invoices have to do with Melrose Utility Company. Melrose went bankrupt. It abandoned its systems. It had no records. It stopped operating. We stepped in and began operating Melrose – that's in my Report on Capital Improvements – without additional compensation, simply because I was not going to let, even though they were not our customers, I wasn't going to let customers on the island go without water and sewer service because of Melrose abandoning the system….

Hearing Transcript at 151.

> In fact, itemized costs at specific amounts, by primary plant account and the year in service, are recorded on the DIUC's books, which certainly constitute "documentation". The ORS does not claim that the assets in question do not exist and are not used and useful, nor does it question the reasonableness of the amounts that it clearly observed from DIUC's records. Some missing invoices for a relative small portion of plant, particularly for the Melrose Utility Company that essentially abandoned its system, does not constitute an absence of evidence of the reasonableness of the utility plant costs for assets that are providing service. Even the Intervenors' expert, Mr. Loy, understands such circumstances.

Hearing Transcript at 203.

Mr. Guastella also explained the proper and NARUC-endorsed role of estimating costs and using estimation studies.

> Although [the POAs' expert] applies that statement to his opinion with respect to an issue he raised with which I disagree and will discuss later, he is correct that the cost of plant is not properly disallowed because of a lack of documentation, but instead it is proper and consistent with the NARUC USoA to use estimates. In this case, however, it is not necessary to estimate the costs because the costs are known

> and recorded, and the assets are used and useful in providing service to our customers.

Hearing Transcript at 204.

Upon further reconsideration of the complete record and the facts of this case, the Commission now finds and concludes that ORS's proposed downward adjustment of plant by $699,361 is not supported by the evidence in the record and that DIUC's inclusion of the $699,631 in the total of plant in service is fully supported. As such, the Commission finds and concludes that the disputed $699,361 shall be included in DIUC's Rate Base/Utility Plant In Service for purposes of determining the adjustment to the rates now before the Commission.[8]

Applicable Ratemaking Principles

The length of this case and the costs DIUC has had to expend to pursue two appeals cannot be wholly addressed by merely revising the revenue requirement to include in DIUC's Utility Plant In Service the $699,361 previously excluded and by including the previously excluded Rate Case Expense of $269,356. Unfortunately, the reality is that DIUC has also been damaged and placed in an inferior position because of the extensive delays in obtaining a final, proper rate ruling from this Commission. Therefore, DIUC is entitled to recoup the lost revenues that it should have been able to charge, as set forth in the *Remediation Schedule*, filed as *Exhibit B* to DIUC's Supplemental Brief Regarding Second Remand (April 1, 2020).[9]

This decision is grounded in the well-established principle that a utility like DIUC has a constitutional right to collect rates that meet minimum constitutional standards of a reasonable

[8] This result is particularly appropriate here, where DIUC stepped in and took over operation of the Melrose Utility Company's water and wastewater systems on Daufuskie Island when the Melrose Utility abruptly abandoned the plant and other facilities. *See supra* and Hearing Transcript at 151-152.

[9] *Exhibit B* has been adjusted on the basis of actual billing data for period from October 1, 2017, through March 31, 2020 that were not available at the time of the Supplemental Brief. The adjusted *Exhibit B* is provided with this Proposed Order.

return on investment. *See Utils. Servs. of S.C. v. S.C. Office of Regulatory Staff*, 392 S.C. 96, 107 n.8, 708 S.E.2d 755, 761 (2011) (citing *Bluefield Waterworks & Improvement Co. v. Public Service Comm'n of W. Va.*, 262 U.S. 679, 690, 43 S. Ct. 675 (1923) (explaining that where the rates allowed for a public utility company "are not sufficient to yield a reasonable return on the value of the property used at the time it is being used to render the service…their enforcement deprives the public utility company of its property in violation of the Fourteenth Amendment")). Complying with this constitutional requirement is mandatory and the reasoning is sound – when a utility invests in equipment and real property for use in providing service, the utility is allowed to charge rates sufficient to allow it to operate and maintain that plant in service. The more equipment and facilities that are part of plant in service, the higher the allowable rate. The utility's right to earn this rate cannot be said to just disappear during a five-year long proceeding wherein the utility has twice been successful on appeal of the pending rate order of this Commission.

"The just compensation safeguarded to the utility by the Fourteenth Amendment is a reasonable return on the value of the property used at the time that it is being used for the public service, and rates not sufficient to yield that return are confiscatory." *Bd. of Pub. Util. Comm'rs v. New York Tel. Co.*, 271 U.S. 23, 31, 46 S. Ct. 363, 366 (1926) (citing *Willcox v. Consolidated Gas Co.*, 212 U. S. 19, 29 S. Ct. 192 (1909) and *Bluefield Waterworks & Improvement Co. v. Public Service Comm'n of W. Va.*, 262 U. S. 679, 43 S. Ct. 675 (1923)). Rates are confiscatory if they do not address the cost of property of the utility and all sums required to meet operating expenses. *Bluefield Waterworks*, 262 U.S. at 691, 43 S. Ct. at 678.

Applying the principle here, DIUC's insufficient rates since Order 2015-846's increase of only 43% increase which was mitigated but not corrected by Order 2018-68's 88.5% increase have not provided DIUC its constitutionally guaranteed just compensation for its property used and its operating expenses, given the duration of this rate proceeding. Again, "what the company is entitled to ask is a fair return upon the value of that which it employs for the public convenience." *Bluefield*, 262 U.S. at 690, 43 S. Ct. at 678

In addition to including the *Remediation Schedule* as *Exhibit B* to DIUC's Supplemental Brief Regarding Second Remand (April 1, 2020), DIUC's Brief asserted that:

> [A]fter two successful appeals and nearly five years, the rates the Commission approves on this second remand should be instated to reflect the need for the proper rates as far back as January 1, 2018, which would have generated sufficient revenues to cover operating expenses and a reasonable return on investment. Approving [the requested implementation of rates is] the mechanism with which to properly reverse the existing confiscatory rates that have been in effect since January 1, 2018.

DIUC's Supplemental Brief Regarding Second Remand at 21. In support of its position DIUC cites *Lederle Labs. Div. of Am. Cyanamid Co. v. Gioia*, 90 A.D.2d 869, 456 N.Y.S.2d 844 (1982), wherein the Appellate Division of the New York Supreme Court ruled that when the Public Service Commission enters a rate decision and is aware of its own procedures for what timing may impact implementation of final rates or adjustments thereof, it is proper for the Commission to permit assessment of the unpaid rates to the utility. The authority cited in *Lederle Labs* was New York Public Service Law § 89-j, which authorizes the Commission to implement rates "upon such terms, conditions or safeguards as the commission may prescribe." *Lederle Labs. Div. of Am. Cyanamid Co. v. Gioia*, 90 A.D.2d 869, 870, 456 N.Y.S.2d 844, 846 (1982) (citing Public Service Law, § 89–j). Likewise, the South Carolina General Assembly has empowered this Commission with equally broad powers. As stated in S.C. Code Ann. § 58-5-210, this Commission is "vested with power and jurisdiction to supervise and regulate the rates and service of every public utility in this State, together with the power, after hearing, to ascertain and fix such just and reasonable standards, classifications, regulations, practices and measurements of service…."[10] These powers include the ability to fix just rates in time, so long as they are just and reasonable and, of course, constitutionally sufficient. It is reasonable and fair and just that DIUC not be punished by substantial losses when the delays in implementation of its proper rates was delayed through no fault of DIUC.

The unique circumstances of this case require reconciliation of rates and charges to address the timing of the various orders within this lengthy proceeding. After two successful appeals and nearly five years, the rates the Commission approves on this second remand should reflect the need for the proper rates that would have generated sufficient revenues to cover operating expenses and a reasonable return on investment as far back as DIUC's January 1, 2018, billing for service provided in the last quarter of 2017, consistent with our December 20, 2017 Directive when we approved the 88.5% rate increase. Approving this restitution is not retroactive ratemaking but is, instead, the mechanism with which to properly restore the utility to the financial position it would be in if the existing rates had been billed instead of the January 1, 2018, of the 88.5% increase.

Utility customers are best served when the Commission adheres to its legislative responsibility to set utility rates that reflect the cost of providing adequate service, including the capital costs that enable utilities to maintain financial viability and attract capital. If the Commission fails to do so, service to the customers may become inadequate and the insufficient earnings would represent confiscation of the utility's property. While the Commission's

[10] A rate's relationship to past amounts due does not automatically render it impermissibly retroactive. See *Porter v. S.C. Pub. Serv. Comm'n*, 328 S.C. 222, 231, 493 S.E.2d 92, 97 (1997) (citing *Stewart v. Utah Pub. Serv. Comm'n,* 885 P.2d 759 (Utah 1994), *Popowsky v. Pa. Pub. Util. Comm'n*, 642 A.2d 648 (Pa.Cmwlth Ct.1994), and *Popowsky v. Pa. Pub. Util. Comm'n,* 695 A.2d 448 (Pa.Cmwlth Ct.1997) (discussing how past extraordinary expenses can be properly incorporated into rates)). This requires flexibility is even more important in situations like the present where the consequence would be constitutionally impermissible rates.

December 20, 2017, Directive allowed an 88.5% increase to be billed by DIUC on January 1, 2018, the resultant rates were not permanent because DIUC had not exhausted its legal remedies. In response to DIUC's second appeal, the South Carolina Supreme Court reversed and remanded the Commission's remand decision and, therefore, this rate case is still pending. DIUC's rates will not become permanent until the Commission acts on the Court's July 24, 2019, reversal and remand and the resultant revised rates become effective, but only then if DIUC does not file another appeal with the Court. Accordingly, the January 1, 2018, rates are temporary, subject to revision that not only the corrects the level of the rates but also compensates DIUC for the full impact of the temporary denial of a reasonable return on its equity investment. This rate setting principle is precisely what the General Assembly in South Carolina established with S.C. Code § 58-5-240(D), under which utilities may place originally filed rates into effect during the pendency of an appeal to the Court – so the utility would not be deprived of an adequate return on equity, and in the interim, use (cash value) of the equity proceeds, until final rates are established at the ultimate conclusion of the rate case.

Implementation of Rates

The proper mechanism with which to correct for the full impact of the January 1, 2018, rates is to calculate the amounts DIUC should now charge its customers on the basis that the ultimate rates had been in effect instead. Specifically, DIUC should charge each customer for the difference between the charges made and the charges that would have been made under the ultimate rates, as well as the refund/credits made by DIUC to each customer at the January 1, 2018, billing. In addition to correcting for the lost equity earnings resulting from the billing and refund/credits, DIUC should add the lost use of money or earnings opportunity by applying the allowed equity rate to the differences now owed by the customers.

EXHIBIT JFG-RR1

On June 13, 2016, DIUC filed its appeal of the 43% rate increase approved by the Commission on December 8, 2015 in Order No. 2015-846. Under S.C. Code § 58-5-240(D), DIUC placed its proposed 108.9% rate increase into effect for the second quarter of 2016 (April 1, 2016 through June 30 2016), to be billed on July 1, 2016, subject to refund if the final rates would be less, plus annual interest of 12% on the difference billed to each customer. On December 20, 2017, the Commission's Directive on Rehearing approved an 88.5% rate increase, allowing that increase to become effective for the fourth quarter of 2017 (for service rendered from October 1 through December 31, 2017) and to be billed with DIUC's January 1, 2018, billing. Because the allowed rate increase was less than the 108.9% revenue increase in effect subject to refund, DIUC was required to refund/credit each customer with its January 1, 2018, billing for the difference between 108.9% that had been paid from July 1, 2016, to September 30, 2017, plus annual interest at 12%.

Consistent with our findings and the Commission's legislatively established regulatory responsibility to set rates that cover DIUC's cost of providing service within the context of this unique rate proceeding, it is necessary to address the adverse impact on DIUC's earnings that resulted from the inadequate rates approved incrementally by Order 2015-846 and 2018-68. The correction of the rates should be made on the basis that the 108.9% rate increase should have been in effect for service provided from October 1, 2017 through March 31, 2020 instead of the 88.5% rate increase. Accordingly, rates should be designed to achieve $2,267,722 which is the originally requested revenue requirement, or a 12.055% increase over the $2,023,759 revenue requirement allowed in Commission's December 20, 2017 Directive, to be billed by DIUC with its July 1, 2020 billing for service provided for the second quarter of 2020 (April 1, 2020 through June 30, 2020). To compensate for the lost earnings, a one-time surcharge totaling $593,339 which includes carrying costs should be included with the July 1, 2020 billing. DIUC's Proposed Order on Second Remand filed by DIUC on April 14, 2020 includes a tariff schedule of rates along with a billing analysis reflecting proposed rates that generate the $2,267,722 revenue requirement, as well as its calculation of the $593,339 surcharge to be billed with its July 1, 2020 billing. A copy of that Tariff Schedule ("Statement of Proposed Rates") along with a Billing Analysis reflecting proposed rates that generate the $2,267,722 revenue requirement, as well as its Support Schedule were filed by DIUC along with this Proposed Order as *Exhibit C*.

With respect to the reversal of the refund/credit made to the customers on January 1, 2018, DIUC recommends that in order to mitigate the impact on the customers, a separate surcharge be billed to the customers as soon as possible prior to the July 1, 2020 billing. We agree. DIUC's Proposed Order on Second Remand also included DIUC's requested $290,515 surcharge, calculated by applying to the refund/credit of $232,542, the 9.31% allowed equity rate compounded for two and a quarter years (2-1/4) from January 1, 2018 through March 31, 2020, or 24.93%, which includes interest. *See Exhibit C*. The parties will have ten (10) days from the issuance of this order to review and comment as to the accuracy of the surcharge. DIUC is authorized to bill the surcharge as soon as possible after the acceptance of the accuracy of its calculation. DIUC shall include an explanation of this surcharge with its billing of it to each customer, and also notify its customers of the July 1, 2020 rates and related surcharge at least 30 days in advance of the billing.

The surcharge with respect to correction of the 88.5% rate increase will be made to each customer according to their respective billings, and only customers who had received refunds/credits with the January 1, 2018 billing will be billed the surcharge to reverse those credits.

FINDINGS OF FACT [11]

1. DIUC is a water and sewer utility providing water and sewer service in its assigned service area on Daufuskie Island, Beaufort County, South Carolina. The Commission is vested with authority to regulate rates of every public utility in this state and to ascertain and fix just and reasonable rates for service. S.C. Ann. § 58-5-210, *et. seq*. DIUC's operations in South Carolina are subject to the jurisdiction of the Commission.

2. DIUC requested in its application to increase revenues for combined operations by $1,182,301, consisting of a water revenue increase of $590,454, and a sewer revenue increase of $591,847, based on the rate of return on rate base methodology utilizing a ROE of 10.5% and a 2014 historical test year.

3. This Commission conducted an initial hearing in this matter on October 28, 2015, and on December 8, 2015, issued Order 2015-846, which permitted a 43% increase in DIUC's rates. *See* Order No. 2015-846, Order Approving Settlement (December 8, 2015). DIUC appealed Order 2015-846 and the Supreme Court reversed and remanded the matter "to the Commission for a de novo hearing." *DIUC I*, 420 S.C. at 320, 803 S.E.2d at 288.

4. At rehearing convened on December 6, 2017, DIUC provided testimony that the "current economic realities following remand" had changed and that DIUC actually required a 125.7% increase to properly operate, as opposed to the 108.9% in the pending application. To keep the final adjusted revenues and the corresponding underlying rates within the application's original 108.9% revenue increase that was noticed to the customers in accordance with the 2014 historical test year data, DIUC proposed to leave outstanding a portion of its rate case expenses beyond those that could be included within a 108.9% increase. At rehearing DIUC re-affirmed

[11] Findings of Fact from the Commission's Order on Rehearing, Order 2018-68 (January 31, 2018) are indicated following those Findings herein that do not change the previous Order.

that it sought the application's originally proposed revenue requirement of $2,267,721.

5. After rehearing the commission issued its Order on Rehearing, Order 2018-68. The Order on Rehearing permitted DIUC an 88.5% overall rate increase that was designed to produce combined annual revenues of $2,023,759, comprised of water revenues of $1,020,831 and wastewater revenues of $1,002,928.

6. Because the allowed rate increase was less than the 108.9% revenue increase in effect subject to refund, DIUC was required to refund/credit each customer with its January 1, 2018 billing for the difference between 108.9% that had been paid from July 1, 2016 to September 30, 2017, plus annual interest at 12%.

7. DIUC appealed and the Supreme Court reversed and remanded the matter for a second time. *See DIUC v. S.C. Office Reg. Staff*, 427 S.C. 458, 832 S.E.2d 572 (2019), *reh'g denied* (Sept. 27, 2019).

8. Following the second remand, the parties have twice briefed the matter to this Commission and the Commission heard from counsel for the parties at a hearing on January 21, 2020.

9. On April 14, 2020, DIUC submitted its Proposed Order on Second Remand and requested this Commission issue an order adopting the same as soon as possible thereafter. This Order is substantially based on that Proposed Order.

10. The appropriate test year period for this proceeding, selected by the Company, is January 1, 2014 through December 31, 2014. *See* Order 2018-68 at Finding #3.

11. The Commission will continue to use the return on rate base methodology in determining and fixing just and reasonable rates. *See* Order 2018-68 at Finding #4.

12. The return on rate base methodology requires three components: capital

structure, cost of debt, and cost of equity (or return on equity). *See* Order 2018-68 at Finding #5.

13. The Commission adopts the capital structure of 46% long-term debt and 54% equity; a cost of debt rate of 5.29%; and ROE of 9.31%. The approved return on rate base is 7.46%. *See* Order 2018-68 at Finding #6.

14. The Commission sets DIUC's rate base at $6,688.131. This rate base is the amount the Commission allowed in Order 2018-68 adjusted to include the $699,361 of utility plant in service and the related accumulated depreciation.

15. The Commission's Order on Remand (Order 2018-68) approved a fair and reasonable operating margin of 14.60%. S.C. Code Ann. § 58-5-240(H). *See* Order 2018-68 at Finding #8.

16. The Commission finds and concludes that DIUC has incurred and should be allowed to include rate case expenses of $541,738, comprising the $272,382 allowed in the remand order and an additional $269,356 for a part of charges by Guastella Associates, LLC, for fees incurred through September 30, 2017.[12] That leaves outstanding about one-half of the $542,978 of GA fees invoiced through September 30, 2017, or $273,622. DIUC may apply for recognition of these expenses and its post-September 30, 2017, rate case expenses in its next rate case.

17. A three (3) year amortization period for rate case expenses is a reasonable balance between DIUC's shareholders and the ratepayers. *See* Order 2018-68 at Finding #10. Additionally, the amortization period for the amount of rate case expenses allowed in this increase will begin on the effective date of this additional rate increase.

[12] In so ordering, the Commission agrees with DIUC's request that DIUC should recover in this case only that portion of its rate case expenses that will, combined with the other adjustments including plant in service as discussed herein, increase total annual revenues up to, but not beyond, the noticed 108.9% increase.

18. The bad debt percentage of 9.82% applied in Order 2018-68 to the revenue requirements remains a reasonable and appropriate manner of calculating DIUC's bad debts. *See* Order 2018-68 at Finding #11.

CONCLUSIONS OF LAW [13]

Based upon the previous portions of this Order, the Findings of Fact as set forth herein, and the record of the proceeding, the Commission makes the following Conclusions of Law:

1. DIUC is a public utility as defined in S.C. Code Ann. § 58-5-10(3) and as such is subject to the jurisdiction of this Commission. *See* Order 2018-68 at Conclusion #1.

2. The appropriate test year on which to set rates for DIUC is the twelve-month period ending December 31, 2014. *See* Order 2018-68 at Conclusion #2.

3. Based on the information provided by the parties, the Commission concludes the appropriate rate setting methodology to use as a guide in determining the lawfulness of DIUC's proposed rates and for the fixing of just and reasonable rates is return on rate base. *See* Order 2018-68 at Conclusion #3.

4. In order for DIUC to have the opportunity to earn the 9.31% ROE, which is found fair and reasonable herein as it was in Order 2018-68, DIUC must be allowed rates that generate additional revenues of $243,963 over the $2,023,759 allowed with the existing 88.5% January 1, 2018, rate increase, or a total of $2,267,722. *See* Order 2018-68 at Conclusion #4.

5. The Commission does not alter Order 2018-68 with regard to approval of $171,365. to be recovered for management fees. *See* Order 2018-68 at Conclusion #5.

6. The Commission concludes that the appropriate amount to be recovered for rate

[13] Conclusions of Law from the Commission's Order on Rehearing, Order 2018-68 (January 31, 2018) are indicated following those Conclusions herein that do not change the previous Order.

case expenses is $541,738, comprising the $272,382 allowed in Order 2018-68 and an additional $269,356 for a part of the charges by Guastella Associates, LLC.

7. The Commission concludes that the appropriate amortization period to recover rate case expenses is 3 years. *See* Order 2018-68 at Conclusion #7.

8. The Commission concludes that the appropriate method of establishing bad debt expenses is to apply 9.82% to the revenue requirement. *See* Order 2018-68 at Conclusion #8.

9. The Commission finds and concludes that DIUC has incurred and should be allowed to include rate case expenses of $269,356 for GA in addition to the previously allowed rate case expenses incurred through September 30, 2017. That leaves outstanding about one-half of the $542,978 of GA fees invoiced through September 30, 2017, or $273,622. DIUC may apply for recognition of these expenses and its post-September 30, 2017, rate case expenses in its next rate case.

10. Pursuant to S.C. Code Ann. § 58-5-210, the Commission is authorized and empowered to "to supervise and regulate the rates" of all South Carolina utilities and to "fix such just and reasonable standards, classifications, regulations, practices and measurements of service…." It is also reasonable and fair and just that DIUC not be punished by substantial losses when the delays in implementation of its proper rates was delayed through no fault of DIUC.

11. Pursuant to S.C. Code Ann. § 58-5-720 and 10 S.C. Code Ann. Regs. 103-512.3 and 103-712.3, DIUC shall post a performance bond of $350,000 for water and $350,000 for sewer operations.

EXHIBIT JFG-RR1

ORDERING PROVISIONS [14]

1. DIUC's Proposed Order on Second Remand filed by DIUC on April 14, 2020, includes a Tariff Schedule ("Statement of Proposed Rates") along with a Billing Analysis reflecting proposed rates that generate the $2,267,722 revenue requirement, as well as its Support Schedule showing calculation of the $593,339 surcharge to be billed with DIUC's July 1, 2020, billing. A copy of these items are attached hereto as *Exhibit C*. The parties will have ten (10) days from the issuance of this order to review and comment as to the accuracy of the rates reflected in *Exhibit C*.

2. To address the adverse impact on DIUC's earnings that resulted from the inadequate rates approved incrementally by Order 2015-846 and 2018-68, correction of DIUC's rates should be made on the basis that the 108.9% rate increase should have been in effect for service provided from October 1, 2017, through March 31, 2020, instead of the 88.5% rate increase. Accordingly, rates should be designed to achieve the $2,267,722 originally requested revenue requirement, or a 12.055% increase over the $2,023,759 revenue requirement allowed in Order 2018-68, to be billed by DIUC with its July 1, 2020, billing for service provided for the second quarter of 2020 (April 1, 2020 through June 30, 2020). To compensate for the lost earnings during this period, a one-time surcharge in the amount of $593,339 which includes carrying costs should be included with the July 1, 2020, billing.

3. With respect to the reversal of the refund/credit made to the customers on January 1, 2018, DIUC recommends that in order to mitigate the impact on the customers, a separate surcharge be billed to the customers as soon as possible prior to the July 1, 2020, billing. We agree this is reasonable. DIUC's Proposed Order on Second Remand also included DIUC's

[14] Ordering Provisions from the Commission's Order on Rehearing, Order 2018-68 (January 31, 2018) are indicated following those Provisions herein that do not change the previous Order.

requested $290,515 surcharge, calculated by applying to the refund/credit of $232,542, the 9.31% allowed equity rate compounded for two and a quarter (2-1/4) years from January 1, 2018 through March 31, 2020, or 24.93%, which includes interest. *See Exhibit C*. The parties will have ten (10) days from the issuance of this order to review and comment as to the accuracy of this surcharge**.** DIUC is authorized to bill the surcharge as soon as possible after the acceptance of the accuracy of its calculation. DIUC shall include an explanation of this surcharge with its billing of it to each customer, and also notify its customers of the July 1, 2020, rates and related surcharge at least 30 days in advance of the billing.

4. The surcharge with respect to correction of the 88.5% rate increase will be made to each customer according to their respective billings, and only customers who had received refunds/credits with the January 1, 2018 billing will be billed the surcharge to reverse those credits.

5. Pursuant to Order of the Supreme Court dated January 17, 2020, appeal costs in the amount of $13,807.25 are awarded, shall be shared equally between ORS, Haig Point Club and Community Association, Inc., Melrose Property Owner's Association, Inc. and Bloody Point Property Owner's Association. Each share shall be paid to DIUC within thirty (30) days of entry of this Order.

6. A return on equity of 9.31% and operating margin of 14.60% is approved for DIUC. Consideration of the impact of the deferred rate case expenses on the return on equity and resultant operating margin will be considered in DIUC's next rate case. *See* Order 2018-68 at Ordering Provision #4.

7. The Company shall continue to maintain current performance bonds in the amounts of $350,000 for water operations and $350,000 for wastewater operations pursuant to

S.C. Code Ann. § 58-5-720. *See* Order 2018-68 at Ordering Provision #5.

8. The Company shall implement all Commission-approved adjustments on its books and records. *See* Order 2018-68 at Ordering Provision #6.

9. The Company's books and records shall be maintained according to the NARUC Uniform System of Accounts. The Company is directed to make any necessary adjustments to its accounting system, including the use of straight-line depreciation without utilization factors. *See* Order 2018-68 at Ordering Provision #7.

10. The Company shall comply with any order of the Commission in Docket No. 2017-381-A, and conform its taxes going forward to the appropriate Federal Tax rate. *See* Order 2018-68 at Ordering Provision #9.

11. This Order shall remain in full force and effect until further order of the Commission. *See* Order 2018-68 at Ordering Provision #10.

BY ORDER OF THE COMMISSION:

____

Chairman

ATTEST:

____

Vice Chairman

EXHIBIT JFG-RR1

DIUC SUPPLEMENTAL BRIEF REGARDING SECOND REMAND
ARPIL 1, 2020
Updated April 14, 2020, for filing with DIUC's Proposed Order on Second Remand

EXHIBIT A
SCHEDULE FOR SECOND ORDER ON REHEARING

1. Including the $699,361 of utility plant in service.

2. Increasing the allowed rate case expense so that DIUC can recover via 3-year amortization a portion of the $542,978 for Guastella Associates ("GA") rate case expenses sufficient to bring the overall rate increase to the 108.9% increase. That increase results in total revenues of $2,267,722, as requested in the original Rate Application. DIUC would recover $269,356 for GA fees incurred through September 30, 2017. That would leave outstanding about one-half of the $542,978 of GA fees invoiced through September 30,2017, or $273,622.

3. Deferring of any Commission decision on the remaining $273,622 GA rate case expenses. DIUC may recover these expenses in its next rate proceeding. At that time DIUC would also present its additional post-September 30, 2017, actual rate case expenses for the conclusion of this docket to enable an accurate accounting of all unrecovered rate case costs for Docket 2014-346 that should be considered in the next rate case.

4. Ordering new rates effective as of April 1, 2020, for services provided on and after April 1, 2020.

5. The April 1, 2020, billing for services provided in the first quarter of 2020 would be billed at the 88.5% increase. The July 1, 2020, billing would reflect the 108.9% increase and would also invoice a surcharge for the carrying costs of the 108.9% increase in the combined amount of $593,339 to address the difference between the January 1, 2018, increase of 88.5% permitted by the Commission on remand and the full 108.9% increase. Recouping this amount will allow DIUC to obtain the carrying cost related to the delay in obtaining the 108.9% rates, calculated at the 9.31% equity rate of return allowed by the Commission on remand.

6. Prior to the July 1, 2020, billing, DIUC would invoice corrections for the $232,542 credit made to customers with January 1, 2018, billing for difference between the 88.5% increase granted by the Commission on remand and the requested 108.9%, adjusted to $290,503 to reflect DIUC's carrying costs through March 31, 2020.

7. The July 1, 2020, billing for services provided in the second quarter and the quarterly billings thereafter would be billed at the 108.9% increase.

Exhibit B
Remediation / Reparation Schedule

1. For the credit of $232,542 made to the customers in the January 1, 2018, billing, which was based on the difference between the 108.9% increase in effect under bond and subject to refund, plus 12% interest. This amount was refunded when the Commission's Order on Rehearing only allowed an 88.5% increase, which became effective January 1, 2018, for service from April 1, 2016, to January 1, 2018 (the duration the 108.9% increase was in effect).

2. For the period from January 1, 2018, until April 1, 2020, when the 108.9% increase should have been in effect, instead of the 88.5% increase, in order for DIUC to cover the corrected revenue requirement that is consistent with the Court's decisions. The inadequate rate increase since January 1. 2018, resulted in a revenue shortfall in the combined amount for water and wastewater of $451,665 for DIUC's billings for the years 2018, 2019, and the first quarter of 2020.

3. For the time value of money or carrying costs related to the lost earnings for both the $232,542 reversal of the January 1, 2018 credit and the $508,457 revenue shortfall for 2018, 2019, and the first quarter of 2020. Instead of the 12% interest rate required to be paid to customers in the event of overcharges of rates subject to refund, DIUC proposes to use a rate of 9.31% for the undercharges, which is the equity rate allowed by the Commission in this case.

4. For the period from January 1, 2018, to March 31, 2020, the weighted average compounded rate is 15.53%. Applying the 15.53% to the $508,457 revenue shortfall produces a total reparation of $593,339. The compounding of the 9.31% equity rate for two and one quarter (2-1/4) years is 24.9251% which when applied to the $232,542 credit amount produces a total reparation of $290,503

5. In order to mitigate the impact on customers, DIUC proposes that the two reparation amounts be recovered through separate surcharges; the $290,503 as soon as practicable after the Commission's final decision in this case and the $593,339 at the time of the July 1, 2020, billing.[1]

[1] As required, DIUC has kept records of payments by each customer so that precise amounts would be charged to each customer.

EXHIBIT JFG-RR1

Docket No. 2014-346-WS

Daufuskie Island Utility Company, Inc.

Statement of Proposed Rates

				Proposed Rates
I.	**Residential Rates**			
A.	Water:			
1)	Base Quarterly Charge			$155.88
2)	Consumption Charge (per 1,000 gallons)		0 to 22,500 gallons per quarter	$4.47
			Over 22,500 gallons	$4.47
B.	Sewer:			
1)	Base Quarterly Charge			$226.37
2)	Volumetric Charge (per 1,000 gallons)		0 to 22,500 gallons per quarter	$2.41
			Over 22,500 gallons	$2.41
C.	Irrigation:			
1)	Consumption Charge (per 1,000 gallons)		0 to 18,000 gallons per quarter	$4.91
			18,001 to 60,000 gallons	$5.80
			Over 60,000 gallons	$6.69
II.	**Commercial Rates**			
A.	Water:			
1)	Base Quarterly Charge			$218.23
2)	Consumption Charge (per 1,000 gallons)		0 to 22,500 gallons per quarter	$4.47
			Over 22,500 gallons	$4.47
B.	Sewer:			
1)	Base Quarterly Charge			$316.91
2)	Volumetric Charge (per 1,000 gallons)		0 to 22,500 gallons per quarter	$2.41
			Over 22,500 gallons	$2.41
C.	Irrigation:			
1)	Consumption Charge (per 1,000 gallons)		0 to 18,000 gallons per quarter	$4.91
			18,001 to 60,000 gallons	$5.80
			Over 60,000 gallons	$6.69
III.	**Availability Charge**			
A.	Water:			
1)	Base Quarterly Charge			$112.23
B.	Sewer:			
1)	Base Quarterly Charge			$146.01

EXHIBIT JFG-RR1

2014-346-W Proposed Rates

Docket No. 2014-346-WS

Daufuskie Island Utility Company, Inc.

Billing Analysis

Test Year Revenue - Proposed Rates

WATER

Customer	Classification	Consumption	Usage Charge	Units	Base Charge	Revenue
Haig Point-Residential	3/4" Meter			1,061	$155.88	$165,389
	0 to 22,500 gals.	8,360,179	$4.47			$37,370
	Over 22,500 gals.	3,192,728	$4.47			$14,271
Haig Point-Irrigation				727		
	0 to 18,000 gals.	8,367,838	$4.91			$41,086
	18,001 to 60,000 gals.	9,829,270	$5.80			$57,010
	Over 60,000 gals.	10,049,342	$6.69			$67,230
Melrose-Residential	3/4" Meter			452	$155.88	$70,458
	0 to 22,500 gals.	4,105,940	$4.47			$18,354
	Over 22,500 gals.	2,177,808	$4.47			$9,735
Melrose-Irrigation				100		
	0 to 18,000 gals.	1,368,330	$4.91			$6,719
	18,001 to 60,000 gals.	2,002,230	$5.80			$11,613
	Over 60,000 gals.	2,986,298	$6.69			$19,978
Haig Point-Commercial	Metered			106	$218.23	$23,132
	0 to 22,500 gals.	2,413,190	$4.47			$10,787
	Over 22,500 gals.	2,132,690	$4.47			$9,533
Melrose-Commercial	Metered			329	$218.23	$71,798
	0 to 22,500 gals.	1,752,659	$4.47			$7,834
	Over 22,500 gals.	2,544,703	$4.47			$11,375
	Water Service Total	**61,283,205**		**2,775**		**$653,671**

SEWER

Customer	Classification	Consumption	Usage Charge	Units	Base Charge	Revenue
Haig Point-Residential	3/4" Meter			1,061	$226.37	$240,179
	0 to 22,500 gals.	8,360,179	$2.41			$20,148
	Over 22,500 gals.	3,192,728	$2.41			$7,694

EXHIBIT JFG-RR1

2014-346-W Proposed Rates

Melrose-Residential	3/4" Meter				448	$226.37	$101,414
	0 to 22,500 gals.		3,926,008	$2.41			$9,462
	Over 22,500 gals.		2,296,390	$2.41			$5,534
Haig Point-Commercial	Metered				102	$316.91	$32,325
	0 to 22,500 gals.		2,362,530	$2.41			$5,694
	Over 22,500 gals.		2,132,690	$2.41			$5,140
Melrose-Commercial	Metered				329	$316.91	$104,263
	0 to 22,500 gals.		1,559,487	$2.41			$3,758
	Over 22,500 gals.		2,436,565	$2.41			$5,872
	Water Service Total		**26,266,577**		**1,940**		**$541,483**
REVENUE SUMMARY:	Total Residential Water and Sewer Service Revenues						$700,007
	Total Commercial Water and Sewer Service Revenues						$291,512
	Total Irrigation Service Revenues						$203,636
				Total Water and Sewer Service Revenues			**$1,195,154**
	Availability Billing-Water	Haig Point			1,917	$112.23	$215,145
		Melrose			1,617	$112.23	$181,476
		Bloody Point			368	$112.23	$41,301
	Availability Billing-Sewer	Haig Point			1,917	$146.01	$279,901
		Melrose			1,617	$146.01	$236,098
		Bloody Point			368	$146.01	$53,732
				Total Water and Sewer Availability Revenues			**$1,007,652**
				Total Misc. Other Revenue			**$64,907**
				Total Operating Revenue			**$2,267,714**

EXHIBIT JFG-RR1

Rev Shortfall thru 3-31

Daufuskie Island Utility Company -- Support Schedule									
	2018 Billing (Jan.1, Apr.1, Jul.1, Oct.1) Covering Oct 1,2017 - Sep 30, 2018 Usage			2019 Billing (Jan.1, Apr.1, Jul.1, Oct.1) Covering Oct 1,2018 - Sep 30, 2019 Usage			2020 Billing (Jan.1 & Apr.1) Covering Oct 1,2019 - Mar 31, 2020 Usage		
	88.5%	108.9%	Shortfall	88.5%	108.9%	Shortfall	88.5%	108.9%	Shortfall
WATER									
GS - Daufuskie	$ 241,107.79	$ 267,237.50	$ 26,129.71	$ 249,838.72	$ 276,914.63	$ 27,075.91	$ 122,942.51	$ 136,266.23	$ 13,323.72
GS - Melrose	$ 160,835.17	$ 178,265.45	$ 17,430.28	$ 171,444.83	$ 190,024.92	$ 18,580.09	$ 77,664.02	$ 86,080.75	$ 8,416.73
GS - Subtotal	$ 401,942.96	$ 445,502.95	$ 43,559.99	$ 421,283.55	$ 466,939.55	$ 45,656.00	$ 200,606.53	$ 222,346.97	$ 21,740.44
IRRIG	$ 121,362.04	$ 134,514.48	$ 13,152.44	$ 162,312.84	$ 179,903.26	$ 17,590.42	$ 49,132.42	$ 54,457.08	$ 5,324.66
AVAIL	$ 370,607.17	$ 410,771.19	$ 40,164.02	$ 375,033.19	$ 415,676.87	$ 40,643.68	$ 186,588.83	$ 206,810.13	$ 20,221.30
Water Total	$ 893,912.17	$ 990,788.62	$ 96,876.45	$ 958,629.58	$ 1,062,519.68	$ 103,890.10	$ 436,327.78	$ 483,614.18	$ 47,286.40
SEWER									
GS - Daufuskie	$ 283,002.67	$ 313,672.68	$ 30,670.01	$ 289,245.55	$ 320,592.12	$ 31,346.57	$ 144,336.27	$ 159,978.51	$ 15,642.24
GS - Melrose	$ 199,914.72	$ 221,580.19	$ 21,665.47	$ 194,308.45	$ 215,366.35	$ 21,057.90	$ 99,193.97	$ 109,943.97	$ 10,750.00
GS - Subtotal	$ 482,917.39	$ 535,252.87	$ 52,335.48	$ 483,554.00	$ 535,958.47	$ 52,404.47	$ 243,530.24	$ 269,922.48	$ 26,392.24
AVAIL	$ 474,693.18	$ 526,137.37	$ 51,444.19	$ 479,553.08	$ 531,523.96	$ 51,970.88	$ 238,590.22	$ 264,447.09	$ 25,856.87
Sewer Total	$ 957,610.57	$ 1,061,390.24	$ 103,779.67	$ 963,107.08	$ 1,067,482.43	$ 104,375.35	$ 482,120.46	$ 534,369.57	$ 52,249.11
System Total	$ 1,851,522.74	$ 2,052,178.86	$ 200,656.12	$ 1,921,736.66	$ 2,130,002.11	$ 208,265.45	$ 918,448.24	$ 1,017,983.75	$ 99,535.51
			2018			2019			2020
	Water Revenue Shortfall		$ 96,876.45	Water Revenue Shortfall		$ 103,890.10	Water Revenue Shortfall		$ 47,286.40
	Interest	9.31%	9,019.20	Prior Year		105,895.65	Prior Years		229,316.80
			$ 105,895.65			$ 209,785.75			$ 276,603.20
				Interest	9.31%	19,531.05	Interest	4.66%	12,875.88
	Sewer Revenue Shortfall		$ 103,779.67			$ 229,316.80			$ 289,479.08
	Interest	9.31%	9,661.89						
			$ 113,441.56	Sewer Revenue Shortfall		$ 104,375.35	Sewer Revenue Shortfall		$ 52,249.11
				Prior Year		113,441.56	Prior Years		238,095.66
						$ 217,816.91			$ 290,344.77
				Interest	9.31%	20,278.75	Interest	4.66%	13,515.55
						$ 238,095.66			$ 303,860.32

EXHIBIT JFG-RR1

Rev Shortfall thru 3-31

	TOTAL Recoverable	$ 467,412.46	TOTAL Recoverable	$ 593,339.40
				58,490.89
24.9251%	Interest Rate on 2018 Revenue Shortfall (Used to reverse refund/credit			$ 408,921.57
14.2852%	Interest Rate on 2019 Revenue Shortfall			14.30%
4.6550%	Interest Rate on 2020 Revenue Shortfall			
				84,882.32
				$ 508,457.08
				16.69%

EXHIBIT JFG-RR2

SCHEDULE A FOR SECOND REHEARING (6-16-2020)

1. Including the $699,361 of utility plant in service.

2. Increasing the allowed rate case expense so that DIUC can recover via 3-year amortization a portion of the $542,978 for Guastella Associates (“GA”) rate case expenses sufficient to bring the overall rate increase to the 108.9% increase. That increase results in total revenues of $2,267,722, as requested in the original Rate Application. DIUC would recover $269,356 for GA fees incurred through September 30, 2017. That would leave outstanding about one-half of the $542,978 of GA fees invoiced through September 30,2017, or $273,622.

3. Deferring of any Commission decision on the remaining $273,622 GA rate case expenses. DIUC may recover these expenses in its next rate proceeding. At that time DIUC would also present its additional post-September 30, 2017, actual rate case expenses for the conclusion of this docket to enable an accurate accounting of all unrecovered rate case costs for Docket 2014-346 that should be considered in the next rate case.

4. Ordering new rates effective as of July 1, 2020, for services provided on and after July 1, 2020.

5. The July 1, 2020, billing for services provided in the second quarter of 2020 would continue to be billed at the 88.5% increase. The October 1, 2020, billing would reflect the 108.9% increase and would also invoice a surcharge for the carrying costs of the 108.9% increase in the combined amount of $663,497 to address the difference between the January 1, 2018, increase of 88.5% permitted by the Commission on remand and the full 108.9% increase. Recouping this amount will allow DIUC to obtain the carrying cost related to the delay in obtaining the 108.9% rates, calculated at the 9.31% equity rate of return allowed by the Commission on remand.

6. Prior to the October 1, 2020, billing, DIUC would invoice corrections for the $232,542 credit made to customers with January 1, 2018, billing for difference between the 88.5% increase granted by the Commission on remand and the requested 108.9%, adjusted to $297,049 to reflect DIUC’s carrying costs through September 30, 2020.

7. The October 1, 2020, billing for services provided in the third quarter and the quarterly billings thereafter would be billed at the 108.9% increase.

EXHIBIT JFG-RR3

SCHEDULE B FOR SECOND REHEARING (6-16-20)
REMEDIATION / REPARATION SCHEDULE

1. For the credit of $232,542 made to the customers in the January 1, 2018, billing, which was based on the difference between the 108.9% increase in effect under bond and subject to refund, plus 12% interest. This amount was refunded when the Commission's Order on Rehearing only allowed an 88.5% increase, which became effective January 1, 2018, for service from April 1, 2016, to September 30, 2017 (the duration the 108.9% increase was in effect).

2. For the period from January 1, 2018, until July 1, 2020, when the 108.9% increase should have been in effect, instead of the 88.5% increase, in order for DIUC to cover the corrected revenue requirement that is consistent with the Court's decisions. The inadequate rate increase since January 1. 2018, resulted in a revenue shortfall in the combined amount for water and wastewater of $561,714 for DIUC's billings for the years 2018, 2019, and the first and second quarters of 2020.

3. For the time value of money or carrying costs related to the lost earnings for both the $232,542 reversal of the January 1, 2018 credit and the $561,714 revenue shortfall for 2018, 2019, and the first and second quarters of 2020. Instead of the 12% interest rate required to be paid to customers in the event of overcharges of rates subject to refund, DIUC proposes to use a rate of 9.31% for the undercharges, which is the equity rate allowed by the Commission in this case.

4. For the period from January 1, 2018, to September 30, 2020, compounding the 9.31% annual rate produces a compounded rate of 27.74%. Applying the 27.74% to the one-time credit/refund of $232,542 made on January 1, 2018 produces a total reparation of $297,049. The weighted average rate for billings from January 1, 2018 through June 30, 2020 is 18.12% and applying this rate to the $561,714 revenue shortfall produces a total reparation of $663,497.

5. In order to mitigate the impact on customers, DIUC proposes that the two reparation amounts be recovered through separate surcharges; the $297,049 as soon as practicable after the Commission's final decision in this case and the $663,497 at the time of the July 1, 2020, billing.[1]

---

[1] As required, DIUC has kept records of payments by each customer so that precise amounts would be charged to each customer.

EXHIBIT JFG-RR4

Daufuskie Island Utility Company

	2018 Billing (Jan.1, Apr.1, Jul.1, Oct.1) Covering Oct 1,2017 - Sep 30, 2018 Usage			2019 Billing (Jan.1, Apr.1, Jul.1, Oct.1) Covering Oct 1,2018 - Sep 30, 2019 Usage			2020 Billing (Jan.1, Apr.1, Jul. 1) Covering Oct 1,2019 - Jun 30, 2020 Usage			Estimate of 07/1/20 Billing
	88.5%	108.9%	Shortfall	88.5%	108.9%	Shortfall	88.5%	108.9%	Shortfall	
WATER										
GS - Daufuskie	$ 241,107.79	$ 267,237.50	$ 26,129.71	$ 249,838.72	$ 276,914.63	$ 27,075.91	$ 186,958.97	$ 207,220.38	$ 20,261.41	$ 64,016.46
GS - Melrose	$ 160,835.17	$ 178,265.45	$ 17,430.28	$ 171,444.83	$ 190,024.92	$ 18,580.09	$ 121,593.52	$ 134,771.05	$ 13,177.52	$ 43,929.50
GS - Subtotal	$ 401,942.96	$ 445,502.95	$ 43,559.99	$ 421,283.55	$ 466,939.55	$ 45,656.00	$ 308,552.49	$ 341,991.43	$ 33,438.93	$ 107,945.96
IRRIG	$ 121,362.04	$ 134,514.48	$ 13,152.44	$ 162,312.84	$ 179,903.26	$ 17,590.42	$ 93,058.91	$ 103,144.03	$ 10,085.13	$ 43,926.49
AVAIL	$ 370,607.17	$ 410,771.19	$ 40,164.02	$ 375,033.19	$ 415,676.87	$ 40,643.68	$ 280,347.13	$ 310,729.34	$ 30,382.22	$ 93,758.30
Water Total	$ 893,912.17	$ 990,788.62	$ 96,876.45	$ 958,629.58	$ 1,062,519.68	$ 103,890.10	$ 681,958.53	$ 755,864.81	$ 73,906.28	$ 245,630.75
SEWER										
GS - Daufuskie	$ 283,002.67	$ 313,672.68	$ 30,670.01	$ 289,245.55	$ 320,592.12	$ 31,346.57	$ 218,152.36	$ 241,794.31	$ 23,641.95	$ 73,816.09
GS - Melrose	$ 199,914.72	$ 221,580.19	$ 21,665.47	$ 194,308.45	$ 215,366.35	$ 21,057.90	$ 148,781.90	$ 164,905.93	$ 16,124.03	$ 49,587.93
GS - Subtotal	$ 482,917.39	$ 535,252.87	$ 52,335.48	$ 483,554.00	$ 535,958.47	$ 52,404.47	$ 366,934.26	$ 406,700.24	$ 39,765.97	$ 123,404.02
AVAIL	$ 474,693.18	$ 526,137.37	$ 51,444.19	$ 479,553.08	$ 531,523.96	$ 51,970.88	$ 360,973.20	$ 400,093.15	$ 39,119.95	$ 122,382.98
Sewer Total	$ 957,610.57	$ 1,061,390.24	$ 103,779.67	$ 963,107.08	$ 1,067,482.43	$ 104,375.35	$ 727,907.46	$ 806,793.39	$ 78,885.93	$ 245,787.00
System Total	$ 1,851,522.74	$ 2,052,178.86	$ 200,656.12	$ 1,921,736.66	$ 2,130,002.11	$ 208,265.45	$ 1,409,865.99	$ 1,562,658.19	$ 152,792.20	

		2018			2019			2020		
Water Revenue Shortfall		$ 96,876.45	Water Revenue Shortfall		$ 103,890.10	Water Revenue Shortfall		$ 73,906.28		
Interest	9.31%	9,019.20	Prior Year		105,895.65	Prior Years		229,316.80	27.7364%	Interest Rate on 2018 Rev. Shortfall
		$ 105,895.65			$ 209,785.75			$ 303,223.08	16.8570%	Interest Rate on 2018 Rev. Shortfall
			Interest	9.31%	19,531.05	Interest	6.98%	21,172.55	6.9825%	Interest Rate on 2018 Rev. Shortfall
Sewer Revenue Shortfall		$ 103,779.67			$ 229,316.80			$ 324,395.63		
Interest	9.31%	9,661.89							58,490.89	
		$ 113,441.56	Sewer Revenue Shortfall		$ 104,375.35	Sewer Revenue Shortfall		$ 78,885.93	$ 408,921.57	
			Prior Year		113,441.56	Prior Years		238,095.66	14.30%	
					$ 217,816.91			$ 316,981.58		
			Interest	9.31%	20,278.75	Interest	6.98%	22,133.24	101,796.68	
					$ 238,095.66			$ 339,114.82	$ 561,713.77	
									18.12%	
			TOTAL Recoverable		$ 467,412.46	TOTAL Recoverable		$ 663,510.45		

EXHIBIT JFG-RR5

Daufuskie Island Utility Co.
Return Deficiency Calculation

	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019
Utility Plant In Service	$ 8,331,263	$ 8,449,422	$ 8,449,587	$ 8,687,269	$ 8,788,955
Accumulated Depreciation	$ (875,230)	$ (972,210)	$ (934,417)	$ (1,045,974)	$ (1,166,446)
Contributions in Aid of Construction	$ (662,320)	$ (663,320)	$ (663,320)	$ (663,320)	$ (663,320)
Accumulated Amortization of CIAC	$ 75,106	$ 80,947	$ 86,794	$ 92,641	$ 98,489
Net Utility Plant	$ 6,868,818	$ 6,894,840	$ 6,938,644	$ 7,070,615	$ 7,057,678
Working Capital (1/5th O&M)	$ 161,397	$ 199,084	$ 205,526	$ 189,980	$ 192,588
RATE BASE	$ 7,030,216	$ 7,093,924	$ 7,144,170	$ 7,260,595	$ 7,250,265

	Ended 12/31/15	Ended 12/31/16	Ended 12/31/17	Ended 12/31/18	Ended 12/31/19
OPERATING REVENUES	$ 1,040,974	$ 1,585,075	$ 1,946,118	$ 1,921,742	$ 1,922,431
Operating & Maintenance Expenses	$ 806,987	$ 995,422	$ 1,027,628	$ 949,899	$ 962,938
Depreciation	$ 81,755	$ 92,447	$ 118,344	$ 122,710	$ 143,498
Amortizations	$ 92,421	$ 175,642	$ -	$ 90,794	$ 156,233
Taxes	$ 156,417	$ 158,972	$ 225,366	$ 268,286	$ 238,994
OPERATING EXPENSES	$ 1,137,580	$ 1,422,483	$ 1,371,338	$ 1,431,689	$ 1,501,663
NET OPERATING INCOME	$ (96,606)	$ 162,592	$ 574,780	$ 490,053	$ 420,768
Return Requirement at 7.46% ROR	$ 524,454	$ 529,207	$ 532,955	$ 541,640	$ 540,870
Revenue Deficiency and Under-Earnings	**$ 621,060**	**$ 366,615**	**$ (41,825)**	**$ 51,588**	**$ 120,102**
		Five-Year Total Shortfall in Earnings			**$ 1,117,539**

EXHIBIT JFG-RR6

Docket No. 2014-346-WS

Daufuskie Island Utility Company, Inc.
Revenue Impact Analysis
Test Year Revenue - Proposed Rates

WATER

Customer	Classification	Consumption	Usage Charge	Units	Base Charge	Revenue
Haig Point-Residential	3/4" Meter			1,061	$155.88	$165,389
	0 to 22,500 gals.	8,360,179	$4.47			$37,370
	Over 22,500 gals.	3,192,728	$4.47			$14,271
Haig Point-Irrigation				727		
	0 to 18,000 gals.	8,367,838	$4.91			$41,086
	18,001 to 60,000 gals.	9,829,270	$5.80			$57,010
	Over 60,000 gals.	10,049,342	$6.69			$67,230
Melrose-Residential	3/4" Meter			452	$155.88	$70,458
	0 to 22,500 gals.	4,105,940	$4.47			$18,354
	Over 22,500 gals.	2,177,808	$4.47			$9,735
Melrose-Irrigation				100		
	0 to 18,000 gals.	1,368,330	$4.91			$6,719
	18,001 to 60,000 gals.	2,002,230	$5.80			$11,613
	Over 60,000 gals.	2,986,298	$6.69			$19,978
Haig Point-Commercial	Metered			106	$218.23	$23,132
	0 to 22,500 gals.	2,413,190	$4.47			$10,787
	Over 22,500 gals.	2,132,690	$4.47			$9,533
Melrose-Commercial	Metered			329	$218.23	$71,798
	0 to 22,500 gals.	1,752,659	$4.47			$7,834
	Over 22,500 gals.	2,544,703	$4.47			$11,375
	Water Service Total	**61,283,205**		**2,775**		**$653,671**

SEWER

Customer	Classification	Consumption	Usage Charge	Units	Base Charge	Revenue
Haig Point-Residential	3/4" Meter			1,061	$226.37	$240,179
	0 to 22,500 gals.	8,360,179	$2.41			$20,148
	Over 22,500 gals.	3,192,728	$2.41			$7,694
Melrose-Residential	3/4" Meter			448	$226.37	$101,414
	0 to 22,500 gals.	3,926,008	$2.41			$9,462
	Over 22,500 gals.	2,296,390	$2.41			$5,534
Haig Point-Commercial	Metered			102	$316.91	$32,325
	0 to 22,500 gals.	2,362,530	$2.41			$5,694
	Over 22,500 gals.	2,132,690	$2.41			$5,140
Melrose-Commercial	Metered			329	$316.91	$104,263
	0 to 22,500 gals.	1,559,487	$2.41			$3,758
	Over 22,500 gals.	2,436,565	$2.41			$5,872
	Water Service Total	**26,266,577**		**1,940**		**$541,483**

REVENUE SUMMARY:	Total Residential Water and Sewer Service Revenues					$700,007
	Total Commercial Water and Sewer Service Revenues					$291,512
	Total Irrigation Service Revenues					$203,636
			Total Water and Sewer Service Revenues			**$1,195,154**
	Availability Billing-Water	Haig Point		1,917	$112.23	$215,145
		Melrose		1,617	$112.23	$181,476
		Bloody Point		368	$112.23	$41,301
	Availability Billing-Sewer	Haig Point		1,917	$146.01	$279,901
		Melrose		1,617	$146.01	$236,098
		Bloody Point		368	$146.01	$53,732
			Total Water and Sewer Availability Revenue			**$1,007,652**
			Total Misc. Other Revenue			**$64,907**
			Total Operating Revenue			**$2,267,714**

EXHIBIT JFG-RR7

Docket No. 2014-346-WS

Daufuskie Island Utility Company, Inc.

Statement of Proposed Rates

				Proposed Rates
I.	**Residential Rates**			
A.	Water:			
1)	Base Quarterly Charge			$155.88
2)	Consumption Charge (per 1,000 gallons)		0 to 22,500 gallons per quarter	$4.47
			Over 22,500 gallons	$4.47
B.	Sewer:			
1)	Base Quarterly Charge			$226.37
2)	Volumetric Charge (per 1,000 gallons)		0 to 22,500 gallons per quarter	$2.41
			Over 22,500 gallons	$2.41
C.	Irrigation:			
1)	Consumption Charge (per 1,000 gallons)		0 to 18,000 gallons per quarter	$4.91
			18,001 to 60,000 gallons	$5.80
			Over 60,000 gallons	$6.69
II.	**Commercial Rates**			
A.	Water:			
1)	Base Quarterly Charge			$218.23
2)	Consumption Charge (per 1,000 gallons)		0 to 22,500 gallons per quarter	$4.47
			Over 22,500 gallons	$4.47
B.	Sewer:			
1)	Base Quarterly Charge			$316.91
2)	Volumetric Charge (per 1,000 gallons)		0 to 22,500 gallons per quarter	$2.41
			Over 22,500 gallons	$2.41
C.	Irrigation:			
1)	Consumption Charge (per 1,000 gallons)		0 to 18,000 gallons per quarter	$4.91
			18,001 to 60,000 gallons	$5.80
			Over 60,000 gallons	$6.69
III.	**Availability Charge**			
A.	Water:			
1)	Base Quarterly Charge			$112.23
B.	Sewer:			
1)	Base Quarterly Charge			$146.01